



## DIB TIER 1 SUKUK (3) LTD.

*(incorporated with limited liability under the laws of the Cayman Islands)*

### U.S.\$750,000,000 Additional Tier 1 Capital Certificates

The U.S.\$750,000,000 Additional Tier 1 Capital Certificates (the **Certificates**) of DIB Tier 1 Sukuk (3) Ltd. (in its capacity as issuer and in its capacity as trustee, as applicable the **Trustee**) will be constituted by a declaration of trust (the **Declaration of Trust**) dated 22 January 2019 (the **Issue Date**) entered into between the Trustee, Dubai Islamic Bank PJSC (**DIB**) and HSBC Corporate Trustee Company (UK) Limited as the delegate of the Trustee (the **Delegate**). Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets (as defined herein) upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the **Conditions**).

If a Non-Viability Event (as defined herein) occurs, a Write-down (as defined herein) shall occur on the relevant Non-Viability Event Write-down Date (as defined herein), as more particularly described in Condition 11. In such circumstances, the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets (as defined herein)) shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount (as defined herein) and in the case of the relevant Write-down Amount corresponding to the full proportion of the Prevailing Face Amount (as defined herein) of each Certificate then outstanding, the Certificates shall be cancelled. See "*Risk Factors – Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down upon the occurrence of a Non-Viability Event*".

The payment obligations of DIB under the Mudaraba Agreement (as defined herein) (including all payments which are the equivalent of principal (being capital amounts, including the Mudaraba Capital (as defined herein), payable in accordance with the provisions of the Mudaraba Agreement) and profit) (the **Relevant Obligations**) will, subject to the Solvency Conditions (as defined herein) being satisfied at the relevant time and no bankruptcy order having been issued in respect of DIB by a court in the United Arab Emirates (the **UAE**), rank in priority only to all Junior Obligations (as defined herein). Payments in respect of the Relevant Obligations by DIB are conditional upon (i) DIB being Solvent (as defined herein) at all times from (and including) the first day of the relevant Periodic Distribution Period (as defined herein) (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable; (ii) DIB being capable of making payment of the Relevant Obligations and any other payment that is due to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations (each, as defined herein) and still be Solvent immediately thereafter; and (iii) the total share capital (including, without limitation, retained earnings) of DIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable (together, the **Solvency Conditions**). **In addition, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of DIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by DIB in respect of the Relevant Obligations.**

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the Conditions on the Prevailing Face Amount of the Certificates then outstanding from (and including) the Issue Date to (but excluding) 22 January 2025 (the **First Call Date**) at a rate of 6.250 per cent. per annum. If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Call Date, Periodic Distribution Amounts shall be payable from (and including) the First Call Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Call Date and every six years thereafter, equal to the Relevant Six Year Reset Rate (as defined in the Conditions) plus a margin of 3.664 per cent. per annum. Periodic Distribution Amounts will, if payable pursuant to the Conditions, be payable semi-annually in arrear on 22 January and 22 July in each year, commencing 22 July 2019. Payments on the Certificates will be made free and clear of and without withholding or deduction for, or on account of, taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction (as defined herein) (the **Taxes**) to the extent described under Condition 13. Each payment of a Periodic Distribution Amount will be made by the Trustee provided that DIB (in its capacity as Mudareb (as defined herein)) shall have paid Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit (as applicable) (each as defined herein) equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement (as defined in the Conditions). Payments of such profit amounts under the Mudaraba Agreement are subject to mandatory cancellation if a Non-Payment Event (as defined herein) occurs, and are otherwise at the sole discretion of DIB (as Mudareb). Any Periodic Distribution Amounts not paid as aforesaid will not accumulate and neither the Trustee nor the Certificateholders shall have any claim in respect thereof but, for the avoidance of doubt, any corresponding unpaid profit amounts under the Mudaraba Agreement shall continue to constitute part of the Mudaraba Assets.

The Certificates are perpetual securities and have no fixed or final redemption date. Unless the Certificates have previously been redeemed or purchased and cancelled as provided in the Conditions, DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem all but not some only of the Certificates on the First Call Date or on any Periodic Distribution Date falling after the First Call Date in accordance with Condition 10.1(b). In addition, upon the occurrence of a Tax Event or a Capital Event (each as defined herein), DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall redeem all, but not some only, of the Certificates or vary the terms thereof, in each case at any time on or after the Issue Date in accordance with Conditions 10.1(c) or 10.1(d), respectively. Any redemption or variation is subject to the conditions described in Condition 10.1.

If a DIB Event (as defined in the Conditions) occurs, the Delegate shall (subject to Condition 12.1) give notice of the occurrence of such event to the Certificateholders in accordance with Condition 17 with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed and the Trust to be dissolved (a **Dissolution Request**). If so requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of Certificateholders, the Delegate shall (but in each case subject to Condition 12.3(e)(i)), give notice (a **Dissolution Notice**) to the Trustee that the Certificates are immediately due and payable at the Prevailing Face Amount of the Certificates then outstanding together with any Outstanding Payments (as defined in the Conditions), whereupon the aggregate face amount of the Certificates then outstanding together with any Outstanding Payments shall become immediately due and payable and, upon receipt of such Dissolution Notice, the Trustee and/or the Delegate shall subject to Condition 12.3 take the actions referred to therein.

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

This Prospectus has been approved by the Central Bank of Ireland (the **Irish Central Bank**) as competent authority under Directive 2003/71/EC, as amended or superseded (the **Prospectus Directive**). The Irish Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Such approval relates only to the Certificates which are to be admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, **MIFID II**) (each such market being a **MIFID Regulated Market**) and/or which are to be offered to the public in any Member State of the European Economic Area (the **EEA**). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Certificates to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a MiFID Regulated Market. This Prospectus has been approved by the Dubai Financial Services Authority (the **DFSA**) under Rule 2.6 of the DFSA's Markets Rules (the **Markets Rules**) and is therefore an approved prospectus for the purposes of Article 14 of the DIFC Law No. 1 of 2012 (the

**Markets Law).** Application has also been made to the DFSA for the Certificates to be admitted to the official list of securities maintained by the DFSA (the **DFSA Official List**) and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai. References in this Prospectus to Certificates being **listed** (and all related references) shall mean that such Certificates have been (a) admitted to listing on the Official List and the DFSA Official List and (b) admitted to trading on the Main Securities Market (or, as the case may be, another MiFID Regulated Market) and on Nasdaq Dubai.

The Certificates will be represented by interests in a global certificate in registered form (the **Global Certificate**) deposited on or before the Issue Date with, and registered in the name of a nominee for, a common depository (the **Common Depository**) 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. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules of the DFSA. This Prospectus is intended for distribution only to persons of a type specified in the Markets Rules. It must not be delivered to, or relied on by, any other person. The DFSA does not accept any responsibility for the content of the information included in this Prospectus, including the accuracy or completeness of such information, nor has it determined whether the Certificates are Shari'a compliant. The liability for the content of this Prospectus lies with the Trustee and DIB. The DFSA has also not assessed the suitability of the Certificates to which this Prospectus relates to any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the Certificates to which this Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents (as defined herein) have been approved by each of the Fatwa and Sharia Supervisory Board of DIB and the Sharia Committee of Dar al Sharia Legal & Financial Consultancy LLC, First Abu Dhabi Bank Shariah Supervisory Board, the Central Shariah Committee of HSBC Bank Middle East Limited, the Shari'ah advisors of J.P. Morgan, the KFH Capital Sharia Committee and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles.

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

Amounts payable on the Certificates following the Reset Date will be calculated by reference to one or more U.S. Treasury rates. As at the date of this Prospectus, the administrator(s) of the relevant U.S. Treasury rate(s) are not included in the register of administrators of the European Securities and Markets Authority (**ESMA**) under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As far as the Trustee is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the administrator(s) of the relevant U.S. Treasury rate(s) are not currently required to obtain authorisation/registration (or, if located outside the EU, recognition, endorsement or equivalence).

#### ***JOINT LEAD MANAGERS***

**Dubai Islamic Bank**

**Emirates NBD Capital**

**First Abu Dhabi Bank**

**HSBC**

**J.P. Morgan**

**KFH Capital**

**Sharjah Islamic Bank**

**Standard Chartered Bank**

The date of this Prospectus is 21 January 2019

This Prospectus complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Market Rules and comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purpose of giving information with regard to the Trustee, DIB and its subsidiaries and affiliates taken as a whole and the Certificates which, according to the particular nature of the Trustee, DIB and of the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and DIB and of the Certificates. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Trustee and DIB are honestly held by the Trustee and DIB, have been reached after considering all relevant circumstances and are based on reasonable assumptions and are not misleading in any material respect.

The Trustee and DIB accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Trustee and DIB, each having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information under the headings "*Risk Factors*", "*Description of Dubai Islamic Bank PJSC*" and "*The United Arab Emirates Banking Sector and Regulations*" has been extracted from information provided by or obtained from independent third party sources and, in each case, the relevant source of such information is specified where it appears under those headings. Each of the Trustee and DIB confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

None of the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, the Delegate nor the Agents (as defined in the Agency Agreement) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or any other information provided by the Trustee or DIB in connection with the Certificates or for any acts or omissions of the Trustee, DIB or any other person in connection with this Prospectus or the issue and offering of the Certificates.

To the fullest extent permitted by law, the Joint Lead Managers, the Delegate and the Agents each accepts no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Joint Lead Manager, the Delegate or an Agent or on its behalf in connection with the Trustee, DIB or the issue and offering of the Certificates. Each of the Joint Lead Managers, the Delegate and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised by the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the offering of the Certificates and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, DIB, the Joint Lead Managers, the Delegate or any of the Agents.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Certificates shall, in any circumstances, constitute a representation or create any implication that the information contained in this Prospectus is correct subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Trustee or DIB since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Certificates is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No advice is given by the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents or, any of their directors, affiliates, advisers or agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States 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 Certificates 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 Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

DIB has been assigned ratings of "A" by Fitch Ratings Limited (**Fitch**) with a "stable" outlook and "A3" by Moody's Investors Service Cyprus Ltd. (**Moody's**) with a "stable" outlook.

Each of Fitch and Moody's is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Fitch and Moody's is included in the list of credit rating agencies published by ESMA on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

**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 organisations.**

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

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, DIB, the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, the Delegate or the Agents represents that this Prospectus may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, DIB, the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, the Delegate or the Agents which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not 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 comes are required by the Trustee, DIB and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Certificates in the United States, the United Kingdom, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Cayman Islands, the EEA (including the United Kingdom), the Kingdom of Saudi Arabia, State

of Kuwait, the Kingdom of Bahrain, Hong Kong, Singapore, Malaysia and Switzerland. For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*".

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Certificates, is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Trustee, DIB, the Joint Lead Managers, the Delegate, the Agents or any of their directors, affiliates, advisers, agents or any of them that any recipient of this Prospectus should subscribe for, or purchase, the Certificates. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and DIB. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Trustee or DIB during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers.

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

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

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

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

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position of DIB, or the business strategy, management plans and objectives for future operations of DIB, are forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause DIB's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward looking statements. These forward looking statements are based on numerous assumptions regarding DIB's present, and future, business strategies and the environment in which DIB expects to operate in the future. Important factors that could cause DIB's actual results, performance or achievements to differ materially from those 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, without prejudice to any requirements under applicable laws and regulations, the Trustee and DIB expressly disclaim 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 Trustee or DIB or any change in events, conditions or circumstances on which these forward looking statements are based. Given the uncertainties of forward looking statements, the Trustee and DIB cannot assure potential investors that projected results or events will be achieved and the Trustee and DIB caution potential investors not to place undue reliance on these statements.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### PRESENTATION OF FINANCIAL INFORMATION

The financial statements relating to DIB included in this document are as follows:

- unaudited condensed consolidated interim financial information as at and for the nine month period ended 30 September 2018 (the **2018 Interim Financial Statements**);
- audited consolidated financial statements as at and for the financial year ended 31 December 2017 (the **2017 Financial Statements**); and
- audited consolidated financial statements as at and for the financial year ended 31 December 2016 (the **2016 Financial Statements** and, together with the 2017 Financial Statements, the **Audited Financial Statements**).

DIB'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. Each of the Audited Financial Statements and the 2018 Interim Financial Statements (together, the **Financial Statements**) have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (the **IASB**). The Audited Financial Statements have been audited in accordance with International Standards on Auditing by KPMG Lower Gulf Limited, without qualification as stated in their audit reports appearing therein. The 2018 Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" (IAS 34). The 2018 Interim Financial Statements have been reviewed by KPMG Lower Gulf Limited 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 review report appearing therein. All information in this Prospectus as at, or for the nine month periods ended, 30 September 2017 and 30 September 2018 is unaudited.

DIB publishes its financial statements in UAE dirham.

## PRESENTATION OF OTHER INFORMATION

In this document, references to:

- **Group** are to DIB and its consolidated subsidiaries and associates taken as a whole;
- **Abu Dhabi** and **Dubai** are to the Emirate of Abu Dhabi and the Emirate of Dubai, respectively;
- **DIFC** are to the Dubai International Financial Centre;
- the **UAE** are to the United Arab Emirates;
- the **GCC** are to the Gulf Co-operation Council;
- the **MENA region** are to the Middle East and North Africa region;
- **U.S.\$, USD** and **U.S. dollars** are to the lawful currency of the United States;
- **£** and **Sterling** are to the lawful currency of the United Kingdom;
- **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- **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; and
- a **billion** are to a thousand million.

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

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. For the purposes of calculating certain figures and percentages, the underlying numbers used have been extracted from the relevant financial statements rather than the rounded numbers contained in the Prospectus. 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.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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

## ALTERNATIVE PERFORMANCE MEASURES

A number of the financial measures presented by DIB in this Prospectus are not defined in the IFRS accounting standards. However, DIB believes that these measures provide useful supplementary information to both investors and DIB'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 financial measures should not be seen as a substitute for measures defined in the IFRS. Unless otherwise stated, the list below presents alternative performance measures, along with their reconciliation to the extent that such information is not defined in the IFRS and not included in DIB's financial statements incorporated by reference into this Prospectus:

- provision coverage ratio: provision for impairment / non-performing investing and financing assets;

- overall coverage ratio: aggregate of provision for impairment and discounted value of collateral / non-performing investing and financing assets;
- impaired ratio: impaired financing and investing assets / gross financing and investing assets, and investments in bilateral sukuk;
- return on equity: net profit attributable to equity holders / average shareholders' equity, adjusted for estimated distribution;
- return on assets: net profit for the group / average total assets;
- cost to income ratio: total operating expenses / net income;
- net profit margin: net funded income (gross income from financing and investing transactions less depositors and sukuk holders' share of profit) / average earning assets (aggregate of financing and investing assets, investment in Islamic sukuk, due from banks and financial institutions and international murabaha with Central Bank); and
- financing / customer deposits: net Islamic financing and investing assets / customer deposits.

#### **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 Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (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 Certificates (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 Certificates 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 2002/92/EC (as amended or superseded, the **Insurance Mediation 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 Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### **NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE SFA)**

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS



Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund", and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

## NOTICE TO U.K. RESIDENTS

The Certificates represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Prospectus is not being distributed to and must not be passed on to the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates: (A) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**); (ii) persons falling within any of the categories of persons described in Article 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the **Promotion of CIS Order**); (ii) persons falling within any of the categories of person described in Article 22(2)(a)-(d) (High net worth companies, unincorporated associations, etc.) of the Promotion of CIS Order; and (iii) any other person to whom it may otherwise lawfully be made. Persons of any other description in the United Kingdom may not receive and should not act or rely on this document.

Prospective investors in the United Kingdom in the Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

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

## **NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS**

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

## **NOTICE TO 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 Offer of Securities and Continuing Obligations issued by the Saudi Arabian Capital Market Authority (the **Capital Market Authority**).

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

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

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

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

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

## **NOTICE TO RESIDENTS OF MALAYSIA**

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

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

## STABILISATION

In connection with the issue of the Certificates, HSBC Bank plc (the **Stabilisation Manager**) (or persons acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager shall act as principal and not as agent of the Trustee or DIB. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. Any stabilisation action must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

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## **RISK FACTORS**

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

*Each of the Trustee and DIB believes that the following factors may affect the Trustee's ability to fulfil its obligations under the Certificates. All of these factors are contingencies which may or may not occur and neither the Trustee nor DIB is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Trustee and DIB believe may be material for the purpose of assessing the market risks associated with the Certificates are also described below.*

*Each of the Trustee and DIB believes that the factors described below represent the principal risks inherent in investing in the Certificates but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and neither the Trustee nor DIB represents that the statements below regarding the risks of holding any Certificate are exhaustive.*

*Although the Trustee and DIB believe that the various structural elements described in this Prospectus lessen some of these risks for Certificateholders, there can be no assurance that these measures will be sufficient to ensure payment to Certificateholders of any Periodic Distribution Amount or the Dissolution Distribution Amount or any other amounts payable in respect of the Certificates on a timely basis or at all. There may also be other considerations, including some which may not be presently known to the Trustee or DIB or which the Trustee or DIB currently deems immaterial, that may impact any investment in the Certificates.*

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

### **Risks relating to the Trustee**

***The Trustee has a limited operating history and no material assets and is dependent upon the performance by DIB of its obligations under the Transaction Documents***

The Trustee is a newly formed entity and has no operating history. The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in its capacity as a trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which it will hold on trust for the Certificateholders, will be the Trust Assets, including its right to receive payments under the Mudaraba Agreement.

The Trustee's ability to pay amounts due on the Certificates will depend on its receipt from DIB (in its capacity as Mudareb), of all amounts due under the Mudaraba Agreement, which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents. Therefore, the Trustee is subject to all the risks to which DIB is subject to the extent that such risks could limit DIB's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents. See "*Risks relating to DIB*" for a further description of these risks.

## **Risks relating to DIB**

### **General**

Investors should note that DIB is a UAE company and is incorporated in, and has its operations and the majority of its assets located in, the UAE. Accordingly, DIB 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*").

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

As at 30 September 2018, approximately 87 per cent. of DIB's assets were located in the UAE and accordingly its business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East generally.

The UAE and Middle East markets, being emerging 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 is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

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

DIB's business is, and will continue to be, affected by economic and political developments in or affecting the UAE and the Middle East and North Africa (**MENA**) region and investors' reactions to developments in one country may affect securities of issuers in other markets, including the UAE. Since the fall in global crude oil prices from the middle of 2014 and slower economic growth during this time, the economies of the oil-revenue dependent GCC countries have been adversely affected with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen in 2016 and 2017. As at the date of this Prospectus, the GCC economy continues to experience generally unfavourable economic conditions. Consequently, certain sectors of the GCC economy, such as financial institutions, that had benefitted from previous high rates of growth have been materially adversely affected. As at 30 September 2018, approximately 87 per cent. of DIB's operations and assets were located in the UAE, with a particular focus on Dubai. Given that DIB has the majority of its operations in the UAE, its operations have previously been and may continue to be affected by economic and political developments impacting the UAE, in particular, the level of economic activity in the UAE, see "*Financial performance is affected by general economic conditions*".

Although Dubai and the UAE enjoy domestic political stability and generally healthy international relations, as they are located in the MENA region, there is a risk that regional geopolitical instability could impact them. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iran, Iraq, Libya, Oman, Saudi Arabia, Syria, Tunisia, Turkey and Yemen. 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. In addition, DIB's wholly-owned subsidiary, DIB Pakistan Ltd., and its associate, the Bank of Khartoum, are, in common with all other industries in the Islamic Republic of Pakistan and Sudan, respectively, affected by the ongoing political uncertainty and civil unrest in those countries. 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. Whilst DIB'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 DIB would be able to sustain its current profit levels if adverse political events or circumstances were to occur in the UAE or any other country in which it had material operations at the time.

Although over the past few years the UAE federal government has tried to diversify away from oil and gas, a significant portion of the UAE federal government's revenue is still dominated by oil and gas, contributing approximately U.S.\$143 billion, or 55.0 per cent., of nominal gross domestic product in 2017. As such, there remain particular concerns around the ongoing impact of the volatility of global crude oil prices (which were approximately 32 per cent. lower in October 2018 as compared to June 2014, according to the monthly OPEC basket price of oil), the effects of the risks posed by an economic downturn in emerging markets generally and the broader impact this may have on global debt and equity markets, and the current uncertainty surrounding levels of interest rates across global markets (including the decision of the U.S. Federal Reserve in December 2015 to raise interest rates for the first time since 2006, followed by a second increase in December 2016, a third increase in March 2017, a fourth increase in June 2017, a fifth increase in December 2017, a sixth increase in March 2018, a seventh increase in June 2018, an eighth increase in September 2018 and a ninth increase in December 2018, with further increases expected during the course of 2019). These challenging market conditions have resulted, at times, in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets. DIB could be adversely affected in the future by any deterioration of general economic conditions in the markets in which it operates, as well as by United States, European and international trading market conditions and/or related factors.

Investors should also note that DIB's business and financial performance could be adversely affected by political, economic or related developments both within and outside the MENA region because of interrelationships within the global financial markets.

The economic and/or political factors which could adversely affect DIB's business, financial condition, results of operations and prospects include:

- regional political instability, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism;
- military strikes or the outbreak of war or other hostilities involving nations in the region;
- a material curtailment of the industrial and economic infrastructure development that is currently underway across the MENA region;
- a material increase in costs of funds in the UAE resulting from a material reduction in liquidity in the UAE financial markets;
- government intervention, including expropriation or nationalisation of assets or increased levels of protectionism;
- an increase in inflation and the cost of living;
- cancellation of contractual rights, expropriation of assets and/or inability to repatriate profits and/or dividends;
- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies and land and water use and foreign ownership;
- arbitrary, inconsistent or unlawful government action;
- changing tax regimes, including the imposition of taxes in tax favourable jurisdictions such as the UAE;

- difficulties and delays in obtaining governmental and other approvals for operations or renewing existing ones; and
- inability to repatriate profits or dividends.

There can be no assurance that either the economic performance of, or political stability in, the countries in which DIB currently operates, or may in the future operate, can or will be sustained. To the extent that economic growth or performance in these countries or the MENA region as a whole slows or begins to decline, or political conditions deteriorate materially in any of those countries, DIB's business, financial condition, results of operations and prospects may be adversely affected.

### **Financial performance is affected by general economic conditions**

Risks arising from changes in credit quality and the recoverability of amounts due from customers and counterparties are inherent in banking and financial institution businesses. In common with other banks and financial institutions in the GCC region, DIB suffered a deterioration in its financing portfolio (in DIB's case between 2008 and 2012), principally manifested in the form of increases in the level of non-performing financings as a result of such adverse economic conditions (see "*Business Risks – Credit risk*"). As at 30 September 2018, approximately 87 per cent. of DIB's assets were in the UAE and, consequently, its operations have been and may continue to be affected by economic developments impacting the UAE, in particular, the level of economic activity in the UAE. Moreover, while the UAE federal government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. Traditionally, the oil and gas industry has been the basis of the development in the GCC regional economy, which means that economic development has been impacted by the general level of oil and gas prices.

DIB uses different hedging strategies to minimise risk, including collateral and insurance that are intended to bring the credit risk level to within its strategy and risk appetite. However, there can be no guarantee that such measures will continue to eliminate or reduce such risks and, consequently, DIB's business, financial condition, results of operations and prospects may be adversely affected.

### **Impact of regulatory changes**

DIB is subject to the laws, regulations, administrative actions and policies of the UAE and each other jurisdiction in which it operates. These regulations may limit DIB's activities and changes in supervision and regulation, particularly within the UAE, could affect DIB's business, the products or services offered, the value of its assets and its financial condition. In particular, DIB has been and expects to continue implementing Basel III related guidelines issued by the Central Bank. No assurance can be given that the UAE federal government (or the government of any other jurisdiction in which DIB operates) 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 DIB's business, reputation, financial condition, results of operations and prospects and thereby affect its ability to make payments in respect of any Certificates.

### **Business Risks**

Risk is inherent in DIB's activities but is managed through a process of ongoing identification, measurement and monitoring, the imposition of risk limits and other controls. DIB is exposed to a number of business-related risks including credit risk, market risk (which can be subdivided into trading and non-trading risks), liquidity risk and legal and operational risk. Any failure by DIB to manage and/or mitigate such risks and/or predict unexpected market events that are beyond the control of DIB could have an adverse effect on its business, financial condition, results of operations and prospects and, consequently, its ability to fulfil its obligations under the Transaction Documents.



### ***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 and is inherent in a wide range of DIB's businesses. Credit risks could arise from a deterioration in the credit quality of specific counterparties of DIB, from a general deterioration in local or global economic conditions or from systemic risks with the financial system, all of which could affect the recoverability and value of DIB's assets and require an increase in DIB's provisions for the impairment of its assets and other credit exposures which could have a material adverse effect on DIB's business, financial condition, results of operations and prospects.

DIB attempts to regulate credit risk by implementing a credit risk strategy, monitoring credit exposures (in particular, in relation to those counterparties falling within higher risk rating bands), limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. In addition to monitoring credit limits, DIB manages the credit exposure relating to its business activities by entering into collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure.

DIB has also established a credit quality review process intended to identify at an early stage any possible changes in the creditworthiness of its counterparties. Counterparty limits are established by the use of a credit risk classification system (see "*Description of Dubai Islamic Bank PJSC – Risk Management*"), which assigns each counterparty a risk rating. Such risk ratings are subject to regular revision. The credit quality review process allows DIB to assess any potential loss as a result of the risks to which they are exposed. However, 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, DIB's business, financial condition, results of operations and prospects may be adversely affected.

See also "*– DIB's business is subject to concentration risk*" for a description of certain credit risks arising from a concentration of DIB's counterparties in certain economic sectors and, geographically, within the UAE.

### ***Market risk***

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. DIB's management of market risk is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. DIB uses appropriate models, in accordance with standard market practice, for the valuation of its positions and receives regular market information in order to regulate its market risk. DIB's policies and procedures and its trading limits are set to ensure the implementation of DIB's market risk policy in its day-to-day operations and such operations are reviewed periodically to ensure compliance with internal policies. However, there can be no assurance that such measures will continue to eliminate or reduce market risk and, should any of these measures fail to operate as intended, DIB's business, financial condition, results of operations and prospects may be adversely affected.

### ***Liquidity risk***

Liquidity risk is the risk that DIB may be unable to meet its payment obligations when they fall due under normal and stressed circumstances. Liquidity risks could arise from the inability of DIB to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on DIB's ability to meet its obligations when they fall due. As is the normal practice in the UAE banking industry, DIB accepts deposits from its customers which are short-term in nature. However, it is also normal in the UAE banking industry for these short-term deposits to be rolled over on their maturity such that, in practice, a significant portion of them have actual maturities of longer duration. By contrast, DIB's financings have more diversified maturities. Accordingly, there is a risk that, if a significant number of DIB's customers did not choose to roll over their deposits at any time, DIB could experience difficulties in repaying those deposits. In addition, DIB only has limited Shari'a compliant products that could be used for short-term liquidity management.

An inability on DIB's part to access funds or to access the markets from which it raises funds may lead to DIB being unable to finance its operations adequately. A dislocated credit environment compounds the risk that DIB will not be able to access funds on favourable commercial terms (including profit payable thereon) (see "*Political, economic and related considerations*"). These and other factors could also lead creditors to form a negative view of DIB's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds.

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

All of the above-mentioned factors relating to liquidity risk could have an adverse effect on DIB's business, financial condition, results of operations and prospects.

### ***Legal and operational risk***

Legal risk is the risk of losses occurring due to legal or regulatory action that invalidates or otherwise precludes performance by DIB or any of its respective counterparties under the terms of its contractual agreements. Additionally, DIB may face certain legal risks from private actions brought against it. DIB 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. However, generally, as a participant in the regulated financial services industry, it is likely that DIB may experience, from time to time, a level of litigation and regulatory scrutiny related to its businesses and operations which may, if adversely determined, have an impact on DIB's business, reputation, financial condition, results of operations and prospects.

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements or conduct of business rules, failure of internal systems, equipment and external systems (including those of DIB's respective counterparties or vendors) and the occurrence of natural disasters. DIB has developed a detailed operational risk framework which clearly defines the roles and responsibilities of individuals and units across different functions of DIB that are involved in performing various operational risk management tasks. The operational risk management framework established by DIB is also aimed at ensuring that operational risks within those areas are properly identified, monitored, managed and reported. DIB will, when appropriate, insure itself against operational risks. Notwithstanding insurance against operational risks, DIB might nonetheless be subject to losses arising from operational risk as a result of inadequate insurance coverage and delays in claim settlement.

There can be no assurance that such measures will continue to eliminate or reduce legal and operational risk and, should any of these measures fail to operate as intended, DIB's business, financial condition, results of operations and prospects may be adversely affected.

### **Competition**

DIB faces competition in all of its business areas from locally incorporated and foreign banks operating in the UAE. DIB also faces competition from both Islamic banks and conventional banks. According to the Central Bank's preliminary data, there were, as at 30 June 2018, 49 different banks (comprising 22 locally incorporated banks and 27 foreign banks) licensed to operate inside the UAE (excluding the DIFC). There are also an increasing number of institutions offering Islamic financial products and services within the UAE. As at 31 December 2017, there were seven Islamic banks, in addition to a number of other financial institutions, offering Islamic products and solutions. Other financial institutions may also consider offering Shari'a compliant products in the future.

The financial institutions market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation, the GCC or any other similar entities, this would likely lead to a more competitive environment for DIB and other domestic financial institutions and could have an adverse effect on DIB's business, financial condition, results of operations and prospects.

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

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

**Dependence on key personnel**

DIB's operations depend, in part, on the continued service of senior executives and other qualified personnel as well as its ability to recruit and retain skilled employees. The competition for such employees, especially at the senior management level, in the UAE is intense due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. If it were unable to retain key members of its senior management and/or hire new qualified personnel in a timely manner, this could have a material adverse effect on the operations of DIB. The loss of any member of the senior management team may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives. These adverse results could, among other things, reduce potential revenue, which could adversely affect DIB's business, reputation, financial condition, results of operations and prospects.

**9/11 Litigation**

In 2002, DIB was named as a defendant in eight civil lawsuits filed in various federal district courts in the United States that relate to the terrorist attacks on 11 September 2001. The plaintiffs in these lawsuits include victims of the terrorist attacks, the families or estates of deceased victims, the leaseholders of the World Trade Center properties, and certain insurance companies that suffered losses as a result of the attacks. In total, the lawsuits named over 520 defendants. The defendants included, among other entities and organisations, Islamic charities, other major financial institutions in the Middle East (including National Commercial Bank and Al Rajhi Bank), and individuals, including members of the royal family of the Kingdom of Saudi Arabia. The complaints filed in these lawsuits made substantially identical allegations against DIB, including that DIB provided material support and assistance to Al Qaeda and that all defendants knew or should have known they were providing material support, aiding and abetting, and enabling the terrorists that perpetrated the attacks. The plaintiffs have not enumerated all of their alleged damages that they are seeking to recover in these cases.

In December 2003, the United States Judicial Panel on Multi-District Litigation consolidated the actions against DIB and the other defendants and transferred those actions to the Federal District Court in the Southern District of New York (the **New York Federal Court**). In May 2005, DIB filed a motion to dismiss all eight actions with the New York Federal Court. In June 2010, the New York Federal Court denied DIB's motion to dismiss due to the allegations by the plaintiffs that DIB intentionally and knowingly provided support to Al Qaeda.

Subsequently, the plaintiffs in two of the civil lawsuits against DIB have abandoned their claims against DIB (one in August 2010 and the other in March 2011). Accordingly, six civil lawsuits against DIB remain pending as of the date of this Prospectus. DIB is currently in the discovery phase of this litigation. During the

first part of the discovery phase, the document discovery phase, the parties exchanged relevant documents (the documentary discovery process initially having been completed by DIB in late 2012). However, the document discovery phase was subsequently extended due to requests for further documentation by the plaintiffs. DIB has provided this further documentation as requested. The litigation has entered the deposition phase of the discovery proceedings. As part of the deposition phase, parties identify and take testimony of relevant witnesses in depositions under oath. The deadline for fact witness depositions is 1 April 2019. Once discovery is completed, DIB can seek its dismissal from all of the six civil lawsuits by applying for summary judgment. To obtain such summary judgment, DIB must show that it is entitled to dismissal because the evidence uncovered during discovery would not permit a fact finder to hold DIB liable for damages.

In addition to the civil lawsuits mentioned above, in 2016 DIB was named as co-defendant in five additional civil lawsuits, the plaintiffs in four of which brought claims under the Justice Against Sponsors of Terrorism Act (JASTA) relating to the terrorist attacks on 11 September 2001. However, all these five lawsuits against DIB have been dismissed in 2017. DIB believes that it has meritorious defences to the remaining pending claims, has defended itself and intends to continue to defend itself vigorously. No provision has been made in respect of any outstanding 9/11 legal proceedings against DIB as professional advice indicates that it is unlikely that any significant or material costs or loss, other than legal costs in connection with the defence, are expected to be incurred, although U.S. litigation is by its nature uncertain and it is therefore not always possible to accurately predict any outcome in terms of withdrawals, dismissal or ultimate liability.

Adverse publicity in relation to the 9/11 claims could affect DIB's reputation, particularly outside the UAE. In addition, if such claims, either in aggregate or individually, were to be successful, and substantial damages and/or penalties were to be assessed against DIB, these could have a material adverse effect on DIB's business, results of operations, financial condition and prospects.

#### **DIB's business may be influenced by a principal beneficial shareholder**

DIB's principal beneficial shareholder is the Government of Dubai, holding 28.4 per cent. of DIB's share capital as at 30 September 2018. By virtue of this shareholding, the Government of Dubai has the ability to influence DIB's business significantly through its ability to control certain actions that require shareholder approval. If circumstances were to arise where the interests of the Government of Dubai or any future major shareholder conflicts with the interests of the Certificateholders, Certificateholders could be disadvantaged by any such conflict.

#### **DIB's business is influenced by growth in its portfolio of Islamic financing and investing assets**

DIB's Islamic financing and investing assets and investments in bilateral *sukuk* after netting of impairment provisions, have grown from AED 54.8 billion (U.S.\$14.9 billion) as at 31 December 2011 to AED 145.8 billion (U.S.\$39.7 billion) as at 30 September 2018.

The increase in DIB's Islamic financing and investing assets portfolio size during this period has increased its credit exposure. In addition, DIB's strategy of continuing to grow its core banking activities organically within the UAE by offering a wider range of products (in particular in relation to its retail businesses) may also increase the credit risk exposure in DIB's Islamic financing and investing assets portfolio. Whilst DIB has adopted a more prudent and risk averse strategy in respect of new financings since late 2008, any failure to manage growth and development successfully and to maintain the quality of its assets could have an adverse effect on DIB's business, financial condition, results of operations and prospects.

#### **DIB's business is subject to concentration risk**

Concentrations in DIB's financing and deposit portfolios subject it to risks of default by its larger customers, from exposure to particular sectors of the UAE economy that may underperform and from withdrawal of large deposits. DIB's financing and deposit portfolios show country, industry and customer concentrations.

DIB's Islamic financing and investing assets are concentrated, geographically, in the UAE, where certain industry sectors (including the real estate sector) and certain regions (including Dubai) have been more significantly affected than others by the global financial crisis that commenced in early 2008. See "*Real estate exposure*" below for a description of the principal risks relating to the Dubai real estate sector. In addition, the composition of DIB's financing portfolio will change from time to time and, in some circumstances, the portfolio may contain a concentration of exposure to particular industries or sectors, government entities, government-related entities or individuals (see further "*Description of Dubai Islamic Bank PJSC – Credit risk measurement – Portfolio Concentrations*").

DIB's consolidated portfolio of Islamic financing and investing assets, net of impairment provisions, constituted 64 per cent. of its consolidated total assets, or AED 143 billion (U.S.\$39 billion), as at 30 September 2018. Of such total portfolio, as at 30 September 2018, nearly 94 per cent. of DIB's Islamic financing and investing assets were situated in the UAE.

DIB's customers' deposits constituted 85 per cent. of its total liabilities, or AED 161 billion (U.S.\$44 billion), as at 30 September 2018, of which the majority were located in the UAE. As a result of the concentration of DIB's portfolio of Islamic financing and investment assets and customer deposit base in the UAE, any deterioration in general economic conditions in the UAE or any failure by DIB to manage effectively its risk concentrations could have an adverse effect on its business, financial condition, results of operations and prospects (see further "*Political, economic and related considerations*").

### **Real estate exposure**

Real estate exposure risk is the credit risk associated with providing financing to customers for the purpose of acquiring real estate, either for their own use or for investment, as well as where financing to the client is secured by real estate as collateral. Any downturn in the real estate market or default of DIB's main real estate-related clients could have a material adverse effect on DIB's business, reputation, financial condition, results of operations and prospects. While DIB seeks to manage this risk through its credit risk policies and procedures, including the carrying out of due diligence and the establishment of concentration limits, there is no guarantee that this will be successful.

As at 30 September 2018, the Group's gross financing exposure (that is to say, before taking into account collateral held or other credit enhancements) to the commercial real estate and home financing sectors was 19 per cent. and 9 per cent., respectively. As at 30 September 2017, 18 per cent. and 10 per cent. of the Group's gross Islamic financing and investing assets comprised financings made to the real estate and consumer home finance sectors, respectively.

DIB is exposed to the consumer home finance sector both directly and through its subsidiary, Tamweel P.J.S.C. (**Tamweel**), whose core business is the provision of Shari'a compliant home financing solutions within the UAE.

Following the financial crisis in 2008, the Dubai real estate market witnessed a recovery with the overall quarterly Dubai House Price Index increasing to 167 points in the first quarter of 2015 from 149 points in the third quarter of 2013, an increase of 10.8 per cent., according to Colliers International (a global real estate company offering services to investors, property owners, tenants and developers around the world). Between the first quarter of 2015 and the first quarter of 2016, however, the Dubai House Price Index decreased from 167 to 144. Market regulations have also been strengthened in an attempt to mitigate the risk of a repeat of Dubai's real estate market crisis. The Group continues to have a portion of its financing assets within the real estate sector and any significant fluctuations in this sector may have a material adverse effect on DIB's business, financial condition, results of operations and prospects. A real estate correction or default in DIB's main real estate-related clients, may have a material adverse effect on DIB's business, financial condition, results of operations and prospects.

## **Technology risk**

Banks, including DIB, rely on technology. External attacks on banks' information technology systems, and those of their clients, have become increasingly common in the GCC and worldwide. DIB continues to invest in resources to mitigate this risk, including business continuity and recovery planning. Notwithstanding this, the risk of an existing system, new system or user acceptance test, failing, or successful cyber or similar attacks taking place, remains and, should the policies and systems DIB has put in place prove ineffective, this could have a material adverse effect on DIB's business, reputation, financial condition, results of operations and prospects.

## **DIB's ratings are subject to change**

DIB is currently rated A by Fitch and A3 by Moody's. Both rating agencies have affirmed DIB's ratings at the current levels, with a "Stable" outlook. However, investors should be aware that any negative movement is likely to make it more expensive for DIB to raise financing in the future which could have an adverse effect on its business, financial condition, results of operations and prospects and could adversely affect the price at which the Certificates are traded in the secondary market.

## **Risks relating to the Certificates**

### ***Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down upon the occurrence of a Non-Viability Event***

If a Non-Viability Event (as defined below) occurs at any time, the Prevailing Face Amount of the Certificates 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 Financial Regulator. See "*– The circumstances triggering a Write-down are unpredictable*". Pursuant to a Write-down, the rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a DIB Event) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Periodic Distribution 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 and, in the case of a Write-down in whole, the Certificates shall be cancelled.

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

Furthermore, upon the occurrence of any Write-down in part pursuant to Condition 11, Periodic Distribution Amounts will accrue on the reduced face amount of the Certificates and its payment is subject to a Non-Payment Event (including, without limitation, DIB having insufficient Distributable Items and, if applicable, any payment restrictions due to breach of any capital buffers imposed on DIB by the Financial Regulator) or a Non-Payment Election having occurred. See "*– Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative*". Also, any amounts arising as a result of, or due and payable upon the occurrence of, a DIB Event or any redemption at the option of the Trustee (upon the instructions of DIB (acting in its sole discretion)) (a) on the First Call Date or any Periodic Distribution Date thereafter or (b) upon the occurrence of a Tax Event or a Capital Event will be by reference to such reduced face amount of the Certificates.

The terms of the Existing 2013 Tier 1 Securities do not include write-down or similar features with triggers comparable to those of the Certificates. As a result, in the event that the Certificates are subject to a Write-down, the Existing 2013 Tier 1 Securities will not be subject to a Write-down and the holders thereof shall continue to be entitled to receive payments in accordance with their respective terms. In addition, the Conditions do not in any way impose restrictions on DIB following a Write-down, including restrictions on

making any distribution or equivalent payment in connection with any Junior Obligations (including, without limitation, any common shares of DIB) or any Pari Passu Obligations.

Certificateholders will lose all or some of their investment in the Certificates as a result of a Write-down and moreover, in such event, it is likely that Certificateholders will suffer losses in respect of their investment in the Certificates ahead of DIB's shareholders and holders of the Existing 2013 Tier 1 Securities. Investors should also be aware that the application of a non-viability loss absorption feature as contained in Condition 11 has not been tested in the UAE.

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

***Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be fully and permanently written-down upon any of the Solvency Conditions not being satisfied at any time or a bankruptcy order in respect of DIB being issued***

If any of the Solvency Conditions (as defined below) is not satisfied on any date on which any payment obligation under the Mudaraba Agreement is due or a bankruptcy order in respect of DIB has been issued by a court in the UAE, all rights of the Certificateholders for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a DIB Event) shall be extinguished and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to such date. As a result, Certificateholders will lose the entire amount of their investment in the Certificates.

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 Certificates.

***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 DIB's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Financial Regulator. As a result, the Financial Regulator may require a Write-down in circumstances that are beyond the control of DIB and with which DIB may not agree. Furthermore, although the Conditions provide that the Financial 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 Financial Regulator is that a Write-down in whole will apply in all such cases save only in exceptional cases as determined by the Financial Regulator in its sole discretion. See "*–Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down upon the occurrence of a Non-Viability Event*". The exercise (or perceived likelihood of exercise) of any such power by the Financial Regulator or any suggestion of such exercise could materially adversely affect the value of the Certificates and could lead to the Certificateholders losing some or all of their investment in the Certificates.

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

***The payment obligations of DIB under the Mudaraba Agreement are subordinated and unsecured obligations***

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount will be made by the Trustee provided that DIB (as Mudareb) shall have paid to the Trustee amounts equal to such Periodic Distribution Amount and Dissolution Distribution Amount, respectively, pursuant to the terms of the Mudaraba Agreement. In this regard, prospective investors should note that the payment obligations of DIB under the Mudaraba Agreement are subordinated to the claims of the Senior Creditors and rank *pari passu* to the Pari Passu Obligations, as more particularly described in Condition 4.2. Potential investors should note that payment of all amounts by DIB under the Mudaraba Agreement (and consequently, the corresponding payments by the Trustee under the Conditions) are conditional upon:

- (i) DIB (in its capacity as Mudareb or otherwise) being Solvent at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable;
- (ii) DIB (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment that is due 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 DIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable,

(together, the **Solvency Conditions**).

Further, the payment obligations of DIB under the Mudaraba Agreement are unsecured and no collateral is or will be given by DIB in relation thereto.

The Trustee may exercise its enforcement rights in relation to the Mudaraba Agreement only in the manner provided in Condition 12.3. If a DIB Event occurs and DIB has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of DIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by DIB in respect of the Relevant Obligations.

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

Other than the limitations in relation to the issue of further Tier 1 Capital by DIB as set out in Condition 4.3 which limits the circumstances in which Tier 1 Capital of DIB can be issued that ranks senior to the Certificates, there is no restriction in the Conditions or in the terms of the Transaction Documents on DIB (in its capacity as Mudareb or otherwise) incurring additional financing or issuing securities or creating any guarantee or contractual support arrangement which would rank senior to the Certificates and the obligations of DIB under the Mudaraba Agreement (**DIB Senior Obligations**). The issue of or the creation of any such DIB Senior Obligations may reduce the likelihood of the Solvency Conditions being met and/or the amount recoverable by Certificateholders on a winding-up of DIB. See also "*The payment obligations of DIB under the Mudaraba Agreement are subordinated and unsecured obligations*".

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

DIB may elect, in its sole discretion and by instructing the Trustee to such effect, not to make payment of a Periodic Distribution Amount to Certificateholders on the corresponding Periodic Distribution Date, except



that no such election may be made in respect of the Periodic Distribution Amount payable on the date on which the Certificates are at DIB's discretion to be redeemed.

In addition, if a Non-Payment Event (detailed below) occurs, DIB (in its capacity as Mudareb) shall be prohibited from paying Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) pursuant to the Mudaraba Agreement, and as a result thereof the Trustee shall be prohibited from paying Periodic Distribution Amounts to the Certificateholders on the corresponding Periodic Distribution Date.

A **Non-Payment Event** is any of the following events:

- (i) the amount equal to the then applicable Periodic Distribution Amount (which for the purposes of the Conditions includes Additional Amounts as referred to in Condition 13) to be paid by DIB out of the Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable (the **Relevant Rab-al-Maal Mudaraba Profit Amount**), when aggregated with any distributions or amounts payable by DIB (in its capacity as Mudareb or otherwise) on the same date (or otherwise due and payable on such date) on any other obligations in respect of Pari Passu Obligations, exceeds, on the relevant date for payment of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, Distributable Items; or
- (ii) DIB (in its capacity as Mudareb or otherwise) is, on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any capital buffers imposed on DIB by the Financial Regulator) or payment of the Relevant Rab-al-Maal Mudaraba Profit Amount (as applicable) to the Trustee would cause it to be in breach thereof; or
- (iii) the Financial Regulator requires (a) DIB not to pay the Relevant Rab-al-Maal Mudaraba Profit Amount to the Trustee on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) or (b) the Trustee not to pay the relevant Periodic Distribution Amount on that Periodic Distribution Date, in each case, on account of DIB making a net loss during the relevant financial period or for any other reason as it may deem necessary; or
- (iv) the Solvency Conditions are not satisfied (or would no longer be met if the Relevant Rab-al-Maal Mudaraba Profit Amount was paid),

as more particularly provided in Condition 8.1.

In relation to limb (i) above, as at the Issue Date, **Distributable Items** means the amount of DIB'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 its latest audited or (as the case may be) auditor reviewed consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital that do not constitute Common Equity Tier 1 Capital. As at 30 September 2018, DIB's Distributable Items amounted to AED 8,192,838,000.

However, current guidance issued by the Financial 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, DIB may be required to prepare audited and auditor reviewed non-consolidated financial statements given that it currently only prepares audited and auditor reviewed consolidated financial statements and, in such circumstances 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 (ii) above, payment restrictions will also apply in circumstances where DIB 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 DIB'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 Periodic Distribution Amounts in respect of the Certificates. In such circumstances, the aggregate amount of distributions which DIB can make on account of dividends, Periodic Distribution Amounts and redemption amounts on its Additional Tier 1 instruments (including the Certificates) 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 DIB will not be increased in the future, which may exacerbate the risk that discretionary distributions, including payments of Periodic Distribution Amounts in respect of the Certificates, are cancelled.

In the absence of notice of a Non-Payment Election or a Non-Payment Event, as the case may be, having been given in accordance with Condition 8.3, the fact of non-payment of the relevant Periodic Distribution Amount on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Accordingly, the Certificateholders shall have no claim in respect of any Periodic Distribution Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event (irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given in accordance with Condition 8.3) and the consequential non-payment of any Periodic Distribution Amount in such a circumstance shall not constitute a Dissolution Event. DIB shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve or otherwise) (which shall be credited by DIB to the Mudaraba Reserve) and the Trustee will not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts.

If such a situation occurs, the Certificateholders shall not receive Periodic Distribution Amounts on their investment in the Certificates and neither the Trustee nor the Certificateholders shall have any claim in respect thereof. Any non-payment of Periodic Distribution Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Certificates.

### ***The Certificates are perpetual securities***

The Certificates are perpetual securities which have no scheduled payment date. The Trustee is under no obligation to redeem the Certificates at any time and the Certificateholders have no right to call for their redemption unless a DIB Event occurs.

The DIB Events and Certificateholders' rights following a DIB Event are set out in Condition 12. See also "*The Conditions contain limited Dissolution Events and remedies*".

In certain circumstances DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem the Certificates, including on the First Call Date or any Periodic Distribution Date thereafter and if a Tax Event or a Capital Event occurs, as more particularly described in Condition 10, although there is no assurance that DIB will require it to do so.

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Certificates indefinitely, unless:

- (i) the Trustee (upon the instructions of DIB (acting in its sole discretion)) redeems the Certificates in accordance with Condition 10;

- (ii) the Trustee is required by the Delegate (including as requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or as directed by an Extraordinary Resolution of the Certificateholders), following a DIB Event to redeem the Certificates; or
- (iii) they sell their Certificates.

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

If the Certificates are redeemed, there can be no assurance that Certificateholders will be able to reinvest the amount received upon redemption in a comparable security at a rate that will provide the same rate of return as their investment in the Certificates. Potential investors should consider reinvestment risk in light of other investments available at that time.

***The Certificates will cease to accrue profit from the due date for redemption (if any)***

Investors are advised that each Certificate will cease to accrue profit from the due date for redemption (following liquidation of the Mudaraba). Consequently, should payments owing to Certificateholders on the due date for redemption (if any) be received by them after the due date for any reason, no additional profit payment, late payment amount or other equivalent amount will be payable in respect of such delay. See Condition 7.3.

***The Conditions contain limited Dissolution Events and remedies***

The Certificates are perpetual instruments with no fixed redemption date and there is no obligation on the Trustee to pay the face amount of the Certificates other than in accordance with Condition 10.1(b), Condition 10.1(c), Condition 10.1(d) or following the occurrence of a DIB Event in accordance with Condition 12.1. In addition, the Trustee may be prohibited from making, or instructed by DIB not to make, payments of Periodic Distribution Amounts on the Certificates in accordance with Condition 8 and Periodic Distribution Amounts will not therefore be due other than in the limited circumstances described in the Conditions.

The Dissolution Events in the Conditions are limited to: (a) DIB Events (being (i) DIB failing to pay an amount which is equivalent to principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) or profit (including Additional Amounts) due and payable by it pursuant to the Mudaraba Agreement and the failure continuing for a period (in the case of principal) of seven days or (in the case of profit) fourteen days (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Election or a Non-Payment Event); (ii) a final determination being made by a court or other official body that DIB is insolvent or bankrupt or unable to pay its debts including any financing arrangement issued (or intended to be issued) in compliance with the principles of Shari'a and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by DIB; (iii) an administrator being appointed, an order being made or an effective resolution being passed for the winding-up or dissolution or administration of DIB or if DIB applies or petitions for a winding-up or administration order in respect of itself or ceases, or through an official action of its Directors threatens to cease, to carry on all or substantially all of its business or operations, except, in each case (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders 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 occurring which, under the laws of the UAE, has an analogous effect to any of the events referred to in (ii) or (iii) above; and (b) Trustee Events (being similar in nature to DIB Events in respect of the Trustee), all as more fully described in the Conditions.

Moreover, pursuant to Condition 12, upon the occurrence of any DIB Event and the delivery of a Dissolution Notice, the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba Agreement and the remedies available to the Trustee, the Delegate and/or the Certificateholders (as applicable) are limited to giving notice to the Trustee and DIB that the Certificates are, and shall immediately become, due and payable at the applicable Prevailing Face Amount together with any Outstanding Payments and thereafter: (i) instituting any steps, actions or proceedings for the winding-up of DIB and/or (ii) proving in the winding-up of DIB and/or (iii) instituting any steps, actions or proceedings for the bankruptcy of DIB and/or (iv) claiming in the liquidation of DIB and/or (v) taking such other steps, actions or proceedings which, under the laws of the UAE, have an analogous effect to the actions referred to in (i) to (iv) above, in each case, for all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents. Therefore, it will only be possible to enforce claims for payment of the applicable Dissolution Distribution Amount and/or Periodic Distribution Amounts in respect of the Certificates when the same have become due pursuant to the Mudaraba Agreement and the Conditions.

Furthermore, the claims of Senior Creditors of DIB will first have to be satisfied in any winding-up, bankruptcy, dissolution, liquidation or analogous proceedings before the Certificateholders may expect to obtain any amounts in respect of their Certificates and prior thereto Certificateholders will have only limited (if any) ability to influence the conduct of such winding-up, liquidation or analogous proceedings.

In addition, if a DIB Event occurs and DIB has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of DIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by DIB in respect of the Relevant Obligations.

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

A holder of an instrument with a fixed profit (or equivalent) rate that will be reset during the term of the instrument (as will be the case for the Certificates with effect from each Reset Date if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating profit rate levels and uncertain profit rate income. While the expected profit rate on the Certificates is fixed until the First Call Date (with a reset of the initial profit rate on the First Call Date as set out in the Conditions and every six years 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 Certificates may also change, but in the opposite direction. If the market return rate increases, the market value of the Certificates would typically decrease. If the market return rate falls, the market value of the Certificates would typically increase. Certificateholders should be aware that movements in these market return rates can adversely affect the market value of the Certificates and can lead to losses for the Certificateholders if they sell the Certificates.

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

Upon the occurrence and continuation of a Capital Event or a Tax Event, DIB may (acting in its sole discretion), instruct the Trustee to, whereupon the Trustee shall, subject as provided in Condition 10.1(c) or 10.1(d) (as the case may be) and without any requirement for consent or approval of the Certificateholders, vary the terms of the Mudaraba Agreement (subject to the approval of the Fatwa and Sharia Supervisory Board of DIB) and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments.

A **Capital Event** is deemed to have occurred if DIB is notified in writing by the Financial Regulator to the effect that the face amount (or the amount that qualifies as regulatory capital, if some amount of the Certificates are held by DIB or whose purchase is funded by DIB) of the Certificates outstanding is excluded (in full or in part) from the consolidated Tier 1 Capital of DIB (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that DIB satisfies the

Financial Regulator that such non-qualification was not reasonably foreseeable at the time of the issuance of the Certificates. A **Tax Event** will arise if DIB or the Trustee (as the case may be) would, as a result of a Tax Law Change, in making any payments under the Mudaraba Agreement or on the Certificates (as the case may be) on the next due date for such payment, be required to pay Additional Amounts (and such requirement cannot be avoided by DIB or the Trustee (as the case may be) taking reasonable measures available to it), and provided that DIB satisfies the Financial Regulator that such Tax Law Change was not reasonably foreseeable at the time of the issuance of the Certificates. The consequences following the occurrence of each of a Tax Event and a Capital Event are more particularly described in Condition 10.1.

The tax and stamp duty consequences of holding the Certificates following variation as contemplated in Condition 10.1 could be different for certain Certificateholders from the tax and stamp duty consequences for them of holding the Certificates prior to such variation and none of the Trustee, the Delegate or DIB shall be responsible to any Certificateholder for any such consequences in connection therewith. Further, while the Conditions stipulate that the variation (as contemplated by the Conditions) must not be materially less favourable to the Certificateholders, no assurance can be given as to whether any of these changes will negatively affect any particular Certificateholder.

### ***The Certificates are limited recourse obligations***

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of the Trust Assets are the sole source of payments on the Certificates. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 12.1, the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders), will be (subject to Condition 12.3) against DIB to perform its obligations under the Transaction Documents. Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets. DIB is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against DIB to recover such payments due to the Trustee pursuant to the Transaction Documents.

After enforcing or realising the rights in respect of the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5.3, the obligations of the Trustee and/or the Delegate in respect of the Certificates shall be satisfied and neither the Trustee nor the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and DIB shall be (in accordance with Condition 12.3), to enforce their respective obligations under the Transaction Documents.

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

There is no assurance that a secondary market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, may have a material adverse effect on the market value of the Certificates. The Certificates 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 "*The Certificates are perpetual securities*"), are subordinated (see "*The payment obligations of DIB under the Mudaraba Agreement are subordinated and unsecured obligations*"), will be permanently written-down upon the occurrence of a Non-Viability Event (see "*Certificateholders' right to receive payment of the face*

*amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down upon the occurrence of a Non-Viability Event") and payments of Periodic Distribution Amounts may be restricted in certain circumstances (see "– Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative").*

Application has been made for the Certificates to be admitted to the Official List and the DFSA Official List and for such Certificates to be admitted to trading on the Main Securities Market and Nasdaq Dubai. However, there can be no assurance that any such listing or admission to trading will occur on or prior to the Issue Date or at all or, if it does occur, that it will enhance the liquidity of the Certificates.

Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates.

### ***The Certificates may be subject to early redemption; redemption is conditional***

At its option in connection with the First Call Date or any Periodic Distribution Date thereafter or otherwise at any time upon the occurrence of a Tax Event or a Capital Event and subject to a Non-Viability Event not having occurred (or if a Non-Viability Event has occurred, a Write-down in part having taken place in accordance with the instructions of the Financial Regulator), DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall give not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and the Delegate in accordance with the Declaration of Trust and, provided that, any such notice has not been revoked by the Trustee (upon the instructions of DIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust and a Non-Viability Event has not occurred after the giving of such notice and, in each case prior to the redemption date specified in the initial notice, redeem in accordance with the Conditions, all, but not some only, of the Certificates at the applicable Prevailing Face Amount together with any accrued but unpaid Periodic Distribution Amounts (as more particularly described in Conditions 10.1(b), 10.1(c) and 10.1(d), respectively).

Any redemption of the Certificates is subject to the requirements in Condition 10.1(a), including obtaining the prior written consent of the Financial Regulator. There can be no guarantee that the consent of the Financial Regulator will be received on time or at all.

There is no assurance that the Certificateholders 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 Certificates. During any period when DIB may instruct the Trustee to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the Trustee Call Amount, the Tax Redemption Amount or the Capital Event Amount (as applicable) payable. 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 Certificates may limit their market value, which is unlikely to rise substantially above the price at which the Certificates can be redeemed.

### ***Investment in the Mudaraba Assets***

Pursuant to the Mudaraba Agreement, the proceeds of the issuance of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to the Mudareb which proceeds shall form the initial capital of the Mudaraba (the **Mudaraba Capital**). The Mudaraba Capital will be invested by DIB (as Mudareb) on an unrestricted co-mingling basis in its general business activities carried out through the General Mudaraba Pool and, following investment of the Mudaraba Capital in the General Mudaraba Pool, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the **Mudaraba Assets**), on a basis proportionate to the rights and obligations of holders of equity of DIB with a view to earning profit

therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Mudaraba Assets. The investment activities of the Mudaraba will be carried out by DIB, and the Certificateholders shall have no ability to influence such activities. DIB shall be granted the express entitlement to co-mingle any of its own assets with the Mudaraba Assets on a basis proportionate to the rights and obligations of holders of equity of DIB and as a result it will not be possible to identify the Mudaraba Assets separately from the assets of DIB.

If any of the risks relating to the business of DIB mentioned above (see "*Risks relating to DIB*") materialise or otherwise impact DIB's business, the value of and profit earned from the investment in such Mudaraba Assets may decrease which may, in turn, have a material adverse effect on DIB's ability to fulfil its payment obligations under the Mudaraba Agreement and consequently, the Trustee's ability to make payments in respect of the Certificates.

Furthermore, whilst the Mudareb has agreed in the Mudaraba Agreement to ensure that the Mudaraba Capital is invested in accordance with the Investment Plan (and with the degree of skill and care that it would exercise in respect of its own assets), the Mudaraba Agreement also provides that there is no guarantee of any return from the Mudaraba Assets. In addition, the Trustee and the Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee except to the extent such losses are caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

Accordingly, potential investors are advised that any claim by or on behalf of the Trustee for the Mudaraba Capital following any Dissolution Event may be reduced if and to the extent that the Mudareb is able to prove that any losses to the Mudaraba Capital were not caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud. If the Mudareb is able to provide such proof, Certificateholders may lose all or some of their investment. It is not possible to state with certainty what approach any court or arbitral tribunal with jurisdiction will take in such circumstances.

#### ***Limitation on gross-up obligation under the Certificates***

The Trustee's obligation to pay Additional Amounts in respect of any withholding or deduction in respect of Taxes under Condition 13 applies only to payments of Periodic Distribution Amounts and not to payments of Dissolution Distribution Amounts (other than any Outstanding Payments) due and payable under the Certificates. As such, the Trustee will not be required to pay any Additional Amounts under the terms of the Certificates to the extent any withholding or deduction applied to payments of Dissolution Distribution Amounts (other than any Outstanding Payments). Accordingly, if any such withholding or deduction were to apply to any payments of Dissolution Distribution Amounts (other than any Outstanding Payments) under the Certificates, holders may receive less than the full amount due under the Certificates, and the market value of the Certificates may be adversely affected.

To the extent that DIB is required to pay Additional Amounts in respect of amounts corresponding to Periodic Distribution Amounts under the Mudaraba Agreement, DIB shall be entitled to recover amounts equal to such Additional Amounts from any amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by DIB (such shortfall, the **Additional Amounts Shortfall**), DIB shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Excess Liquidation Proceeds.

## **Risks relating to enforcement**

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

In the event of DIB's insolvency, UAE bankruptcy laws may adversely affect DIB's ability to perform its obligations under the Mudaraba Agreement and, consequently, the Trustee's ability to make payments to Certificateholders. There is little precedent to predict how a claim on behalf of Certificateholders, the Trustee and/or the Delegate against DIB would be resolved, and therefore there can be no assurance that Certificateholders will receive payment of their claims in full or at all in these circumstances.

### ***Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Dubai***

Ultimately the payments under the Certificates are dependent upon DIB making payments to the Trustee in the manner contemplated under the Transaction Documents. If DIB fails to do so, it may be necessary to bring an action against DIB to enforce its obligations (subject to the provisions of the Conditions), which could be both time consuming and costly.

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

DIB has irrevocably agreed that the Transaction Documents will be governed by English law and that any dispute arising from such Transaction Documents will, unless the option to litigate is exercised, be referred to arbitration in London under the Arbitration Rules of the London Court of International Arbitration (the **Rules**). Under the Conditions, any dispute arising from the Conditions will, unless the option to litigate is exercised, be referred to arbitration in London under the 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, any arbitration award rendered in London should therefore be enforceable in Dubai in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Dubai courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. It should be noted that only the Dubai Court of Cassation decision was a final decision. The uncertainty regarding the interpretation and application of the New York Convention provisions by the UAE courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and because of 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. There is therefore no guarantee that the Dubai courts will take the same approach in similar proceedings in the future.

Under the Conditions and the Transaction Documents, at the option of the Trustee or the Delegate, any dispute may also be referred to the courts in England or the DIFC, who shall have exclusive jurisdiction to settle any dispute arising from the Conditions or such Transaction Documents.

Where an English judgment has been obtained, there is no assurance that DIB has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. DIB is incorporated in and has its operations and the majority of its assets located in the UAE. Under current UAE federal law, the courts in the UAE are unlikely to enforce an English 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 Documents or the Certificates. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a Court in the UAE may not accord with the interpretation of an English Court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that any appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. 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 Dubai and the UAE, and public policy, order or morals in the UAE. This may mean that the UAE courts may seek to interpret English law governed documents as if they were governed by UAE law and there can therefore be no certainty that in those circumstances the UAE courts would give effect to such documents in the same manner as the parties may intend.

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. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE.

In the case of any dispute under the Conditions and/or the Transaction Documents, which at the option of the Trustee or the Delegate has been referred to the DIFC courts under Article 7 of Law No. 16 of 2011 (as defined below), any final and unappealable judgment, order or award made by the DIFC courts in favour of the Delegate (on behalf of the Certificateholders) must, upon application by the Delegate to the Dubai Court of Execution, be enforced against DIB and/or its assets situated in Dubai by the Dubai Court of Execution without that court being able to reconsider the merits of the case provided that the conditions specified in Article 7(2) of Law No. 16 of 2011 are satisfied and the procedure for enforcement described in Article 7(3) of Law No. 16 of 2011 is adhered to.

Dubai Law No. 16 of 2011 on Amending Some Provisions of Law No. 12 of 2004 Concerning the Dubai International Financial Centre Courts (**Law No. 16 of 2011**) came into force in the Emirate of Dubai on 31 October 2011 and extended the jurisdiction of the DIFC courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed to submit to the jurisdiction of the DIFC courts, even where such parties are unconnected to the DIFC. None of the Trustee, DIB or the Delegate are connected to the DIFC.

Investors should note however that, as at the date of this Prospectus, Law No. 16 of 2011 remains relatively untested and there is therefore no certainty as to how the DIFC courts intend to exercise their jurisdiction under this law should any party dispute the right of the DIFC courts to hear a particular dispute where any party is unconnected to the DIFC, nor is there any certainty that the Dubai Court of Execution will enforce the judgment of the DIFC courts without reconsidering the merits of the case.

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

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

### ***Claims for specific enforcement***

If DIB fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of DIB's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement which is a discretionary matter.

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

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

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

***Change of law***

The structure of the issue of the Certificates is based on English law 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 Trustee to make payments under the Certificates or of the Trustee or DIB to comply with their respective obligations under the Transaction Documents.

**Additional risk factors**

***Certificateholders must rely on Euroclear and Clearstream, Luxembourg procedures***

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

While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

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

***No assurance can be given as to Shari'a rules***

The transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents have been approved by each of the Fatwa and Sharia Supervisory Board of DIB and the Sharia Committee of Dar al Sharia Legal & Financial Consultancy LLC, First Abu Dhabi Bank Shariah Supervisory Board, the Central Shariah Committee of HSBC Bank Middle East Limited, the Shari'ah advisors of J.P. Morgan, the KFH Capital Sharia Committee and the Shariah Supervisory Committee of Standard Chartered Bank. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Shari'a compliant by any other Shari'a board or Shari'a scholars. None of the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents makes any representation as to the Shari'a compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any Shari'a views, differences in opinion are possible. Prospective investors should obtain their own

independent Shari'a advice as to whether the Transaction Documents and the Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradability of the Certificates on any secondary market. Questions as to the Shari'a permissibility of the Transaction Documents or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Conditions or the Transaction Documents would be, if in dispute, the subject of arbitration in London under the Rules. DIB has also agreed under the Transaction Documents to submit to the exclusive jurisdiction of the courts of England or the DIFC, at the option of the Trustee or the Delegate, as the case may be. In such circumstances, the arbitrator or judge, as the case may be, will apply English law rather than Shari'a principles in determining the obligation of the parties.

***Shari'a requirements in relation to interest awarded by a court***

In accordance with applicable Shari'a principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under the Mudaraba Agreement. Should there be any delay in the enforcement of a judgment given against DIB, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive all, or any part of, such interest.

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

As the Certificates have a minimum denomination consisting of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof, it is possible that the Certificates may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase an additional amount of Certificates with a face value of U.S.\$200,000 or more such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

If a Certificateholder holds a face amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least U.S.\$200,000 in order to be eligible to receive a Definitive Certificate.

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

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

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally and for obtaining written resolutions on matters relating to the Certificates from Certificateholders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Declaration of Trust and whose Certificates are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Certificates are held in global form in the clearing systems, the Trustee, DIB and the Delegate will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, DIB or the Delegate or given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, DIB and/or the Delegate by accountholders in the clearing systems with entitlements to the Global Certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Trustee has obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the provisions of the Declaration of Trust, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Conditions also provide that the Delegate may, without the consent of Certificateholders, agree to the substitution of another company as obligor under the Certificates in place of the Trustee, in the circumstances described in Condition 12.2.

The Conditions also provide that the Delegate may, without the consent or approval of the Certificateholders, agree to the variation of the terms of the Certificates and (subject to the approval of the Fatwa and Sharia Supervisory Board of DIB) the Mudaraba Agreement so that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, as provided in Condition 10.1(c) and Condition 10.1(d).

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

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

The Trustee will pay amounts due on the Certificates in U.S. dollars and DIB will make payments pursuant to the Transaction Documents to which it is a party in U.S. dollars. If the Certificateholders measure their investment returns by reference to a currency other than U.S. dollars (the **Investor's Currency**), an investment in the Certificates will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, as applicable, relative to the Investor's Currency because of economic, political and other factors over which the Trustee has no control and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. Depreciation of the U.S. dollar, as applicable, against the Investor's Currency could cause a decrease in the effective yield of the Certificates below their stated Periodic Distribution Amount and could result in a loss to the Certificateholders when the return on the Certificates is translated into the Investor's Currency. Investment in

the Certificates may also have important tax consequences as a result of any foreign currency exchange gains or losses.

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 amounts under the Certificates than expected, or no such amounts.

### ***Emerging markets***

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

### ***Taxation risks on payments***

Payments made by DIB to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Mudaraba Agreement requires DIB (acting in its relevant capacity thereunder), to pay Additional Amounts in the event that any withholding or deduction, for or on account of, any Taxes is required to be made in respect of payments made by it to the Trustee under such document. Condition 13 provides that the Trustee is required to pay Additional Amounts in respect of any withholding or deduction for, or on account of, any Taxes in certain circumstances. In the event that the Trustee fails to comply with any obligation to pay any such Additional Amounts pursuant to Condition 13, DIB has, pursuant to the Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to or to the order of the Delegate (for the benefit of the Certificateholders) an amount equal to the liability of the Trustee in respect of any and all Additional Amounts required to be paid by it in respect of the Certificates pursuant to Condition 13.

The circumstances described above may entitle DIB to be able to instruct the Trustee to redeem or vary the Certificates pursuant to Condition 10.1(c). See "*– The Certificates may be subject to early redemption; redemption is conditional*" and "*– Variation upon the occurrence of a Capital Event or a Tax Event*" for a description of the consequences thereof.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Irish Central Bank and the DFSA shall be incorporated in, and form part of, this Prospectus:

- (a) the auditors' review report and unaudited condensed consolidated interim financial information of DIB as at and for the nine month period ended 30 September 2018 (available at: [https://www.dib.ae/docs/default-source/financial-reports/dib-fs-english-q3-2018.pdf?sfvrsn=2e720c1d\\_4](https://www.dib.ae/docs/default-source/financial-reports/dib-fs-english-q3-2018.pdf?sfvrsn=2e720c1d_4));
- (b) the auditors' report and audited consolidated financial statements of DIB as at and for the financial year ended 31 December 2017 (available at: [https://www.dib.ae/docs/default-source/financial-reports/2017\\_annualreport\\_en.pdf?sfvrsn=4069ce97\\_24](https://www.dib.ae/docs/default-source/financial-reports/2017_annualreport_en.pdf?sfvrsn=4069ce97_24)); and
- (c) the auditors' report and audited consolidated financial statements of DIB as at and for the financial year ended 31 December 2016 (available at: [https://www.dib.ae/docs/default-source/financial-reports/financial-statments-2016-english\\_7791919c-6e1d-430e-aca4-4687bdc15dbb.pdf?sfvrsn=ed67fd09\\_14](https://www.dib.ae/docs/default-source/financial-reports/financial-statments-2016-english_7791919c-6e1d-430e-aca4-4687bdc15dbb.pdf?sfvrsn=ed67fd09_14)).

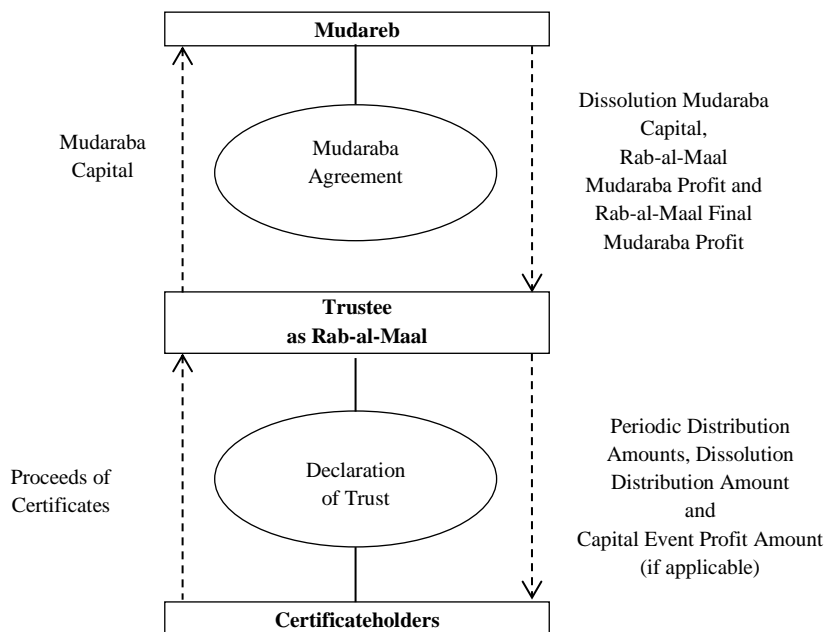
Copies of documents incorporated by reference in this Prospectus can be obtained from the specified office for the time being of the Principal Paying Agent.

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

## STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

### Structure Diagram



### Principal Cash Flows

#### *Payments by the Certificateholders and the Trustee*

On the Issue Date, the Certificateholders will pay the issue price in respect of the Certificates to the Trustee. Pursuant to the Declaration of Trust, the Trustee will declare a trust, in favour of the Certificateholders, over:

- (a) the cash proceeds of the issuance of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets (as defined below);
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by DIB (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee by DIB pursuant to clause 12.1 of the Declaration of Trust); and
- (d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing (together, the **Trust Assets**).

The proceeds of the issuance of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to DIB (as Mudareb) and shall form the initial capital of the Mudaraba (the **Mudaraba Capital**) pursuant to the Mudaraba Agreement. The Mudareb will invest the Mudaraba Capital on an unrestricted co-mingling Mudaraba basis in its general business activities carried out through the General Mudaraba Pool, and following investment of the Mudaraba Capital in the General Mudaraba Pool, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the **Mudaraba Assets**), on a basis proportionate to the rights and obligations of holders of equity of DIB and in accordance with the Mudaraba Agreement.

#### ***Periodic payments by the Trustee***

Unless a Non-Payment Event or a Non-Payment Election has occurred, prior to each Periodic Distribution Date, the Mudareb shall distribute the profit generated by the Mudaraba to both the Trustee and the Mudareb in accordance with an agreed profit sharing ratio (90 per cent. to the Trustee (as Rab-al-Maal) and 10 per cent. to the Mudareb). The Trustee shall apply its share of the profit (if any) generated by the Mudaraba on each Periodic Distribution Date to pay the Periodic Distribution Amount due to the Certificateholders on such date.

Payments of Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (each as defined in the Mudaraba Agreement) by the Mudareb may only be made in circumstances where a Non-Payment Event has not occurred and, in the case of Rab-al-Maal Mudaraba Profit only, are at the sole discretion of the Mudareb. The Mudareb shall not have any obligation to make any subsequent payment in respect of such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve or otherwise) (which shall be credited by the Mudareb to the Mudaraba Reserve). Under the terms of the Mudaraba Agreement, the Mudareb shall be expressly entitled to co-mingle any of its own assets with the Mudaraba Assets.

#### ***Dissolution payments, redemption and variation by the Trustee and the Mudareb***

The Mudaraba is a perpetual arrangement with no fixed end date. Accordingly, the Certificates are perpetual securities in respect of which there is no fixed redemption date.

Subject to certain conditions set out in clause 7 of the Mudaraba Agreement, the Mudareb may at its option liquidate the Mudaraba in whole, but not in part, on the basis of a final constructive liquidation of the Mudaraba in the following circumstances:

- (i) on the First Call Date or any Periodic Distribution Date after the First Call Date, by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate; or
- (ii) on any date on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate:
  - (a) upon the occurrence of a Tax Event; or
  - (b) upon the occurrence of a Capital Event.

The Trustee (but only upon the instructions of DIB (acting in its sole discretion)) shall, upon receipt of notice in accordance with paragraph (i) above redeem all, but not only some, of the Certificates, and upon receipt of notice in accordance with paragraph (ii) above redeem all, but not only some, of the Certificates or vary the terms thereof, in each case by giving not less than 10 nor more than 15 days' prior notice to the Certificateholders, all as more particularly described in the Conditions, and in each case following actual liquidation of the Mudaraba, as described above.



The Mudareb and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by DIB to be varied upon the occurrence of a Tax Event or a Capital Event, to make such variations as are necessary to ensure that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments.

## OVERVIEW OF THE OFFERING

*The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".*

*Words and expressions defined in the Conditions shall have the same meanings in this overview.*

<b>Certificates:</b>	U.S.\$750,000,000 Additional Tier 1 Capital Certificates.
<b>Trustee:</b>	DIB Tier 1 Sukuk (3) Ltd., an exempted company with limited liability incorporated on 13 November 2018 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with registered number 345030 with its registered office at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
<b>Trustee Legal Entity Identifier (LEI):</b>	5493003VEAI5Y13OH244.
<b>Ownership of the Trustee:</b>	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of U.S.\$1.00 each, 250 of which are fully-paid and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a declaration of trust.
<b>Administration of the Trustee:</b>	The affairs of the Trustee are managed by MaplesFS Limited (the <b>Trustee Administrator</b> ), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 7 January 2019 between the Trustee and the Trustee Administrator (the <b>Corporate Services Agreement</b> ). The Trustee Administrator's registered office is P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
<b>Mudareb:</b>	Dubai Islamic Bank PJSC.
<b>Rab-al-Maal:</b>	DIB Tier 1 Sukuk (3) Ltd.
<b>Risk Factors:</b>	Certain factors may affect the Trustee's ability to fulfil its obligations under the Certificates and DIB's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, certain factors are material for the purpose of assessing the market risks associated with the Certificates. These are set out under " <i>Risk Factors</i> ".
<b>Joint Lead Managers:</b>	Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc, KFH Capital Investment Company K.S.C.C., Sharjah Islamic Bank P.J.S.C. and Standard Chartered Bank.
<b>Delegate:</b>	HSBC Corporate Trustee Company (UK) Limited.

Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being directed and indemnified and/or secured and/or pre-funded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against the Mudareb and/or DIB following a DIB Event.

**Principal Paying Agent, Calculation Agent, Registrar and Transfer Agent:** HSBC Bank plc.

**Summary of the transaction structure and Transaction Documents:** An overview of the structure of the transaction and the principal cashflows is set out under "*Structure Diagram and Cash Flows*" and a description of the principal terms of certain of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".

**Issue Date:** 22 January 2019.

**Issue Price:** 100 per cent.

**Periodic Distribution Dates:** 22 January and 22 July in each year, commencing on 22 July 2019.

**Periodic Distributions:** Subject to Condition 8, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date up to and including the First Call Date at a rate of 6.250 per cent. per annum. If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Call Date, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date after the First Call Date (subject as aforesaid) at a fixed rate, to be reset on the First Call Date and every six years thereafter, equal to the Relevant Six Year Reset Rate plus a margin of 3.664 per cent. per annum.

If DIB makes a Non-Payment Election (as defined herein) or a Non-Payment Event occurs (as defined herein), the Trustee shall not pay the corresponding Periodic Distribution Amounts and neither DIB nor the Trustee shall have any obligation to make any subsequent payment in respect of any unpaid Periodic Distribution Amount as more particularly described in Condition 8.

**Form of Certificates:** The Certificates will be issued in registered form as described in "*Global Certificate*". The Certificates 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 depositary 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. Definitive Certificates evidencing a holding of Certificates will

be issued in exchange for interests in the Global Certificate only in limited circumstances.

**Clearance and Settlement:**

Certificateholders 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 of the Certificates:**

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

**Status of the Certificates:**

Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank *pari passu* without any preference or priority with all other Certificates. See Condition 4.1.

The Relevant Obligations will: (a) constitute Additional Tier 1 Capital of DIB; (b) constitute direct, unsecured, conditional and subordinated obligations of DIB; (c) rank subordinate and junior to all Senior Obligations but not further or otherwise; (d) rank *pari passu* with all other *Pari Passu* Obligations, which, for the avoidance of doubt, includes and shall continue to include DIB's obligations under the Existing Tier 1 Securities; and (e) subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of DIB by a court in the UAE rank in priority to all Junior Obligations. See Condition 4.2.

Payments in respect of the Relevant Obligations by DIB are conditional upon: (i) DIB (in its capacity as Mudareb or otherwise) being Solvent at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable; (ii) DIB (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment that is due 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 DIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant obligations that are due and payable (together, the **Solvency 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 DIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by DIB in respect of the Relevant Obligations.

**Trust Assets:**

The Trust Assets consist of:

- (a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by DIB (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and
- (d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing which will be held by the Trustee upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions.

**Redemption of Certificates and variation of their terms:**

The Certificates are perpetual securities and accordingly do not have a fixed or final redemption date. All, but not some only, of the Certificates may be redeemed or the terms of the Certificates may be varied by the Trustee (but only upon the instructions of DIB (acting in its sole discretion)) only in accordance with the provisions of Condition 10.

Pursuant to Condition 10.1(b), DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, on the First Call Date or on any Periodic Distribution Date thereafter, redeem all, but not some only, of the Certificates at the Trustee Call Amount.

In addition (on any date on or after the Issue Date, whether or not a Periodic Distribution Date), upon the occurrence of a Tax Event or a Capital Event, all, but not some only, of the Certificates may be redeemed or the terms of the Certificates may be varied, in each case in accordance with Conditions 10.1(c) and 10.1(d). Any redemption of the Certificates is subject to the conditions described in Condition 10.1.

**Write-down at the Point of Non-Viability (as prescribed by the Financial Regulator):**

If a Non-Viability Event occurs, a Write-down (as defined herein) shall occur on the relevant Non-Viability Event Write-down Date, as more particularly described in Condition 11. In such circumstances, the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) shall automatically be deemed to be irrevocably, unconditionally and permanently written-down

in a proportion corresponding to the relevant Write-down Amount and in the case of the relevant Write-down Amount corresponding to the full proportion of the Prevailing Face Amount of each Certificate then outstanding, the Certificates shall be cancelled. See Condition 11.

**Dissolution Events:**

Subject to Condition 12, if a DIB Event occurs, and, if so requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the Certificateholders in accordance with Condition 12.1, the Trustee and/or the Delegate shall, subject to Condition 12.3, take the actions referred to therein.

**Withholding Tax:**

Subject to Condition 9.2 and Condition 13, all payments in respect of the Certificates shall be made free and clear of and without withholding or deduction for, or on account of, any Taxes (as defined in Condition 13), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay, in respect of Periodic Distribution Amounts (but not, for the avoidance of doubt, in respect of Dissolution Distribution Amounts (other than any Outstanding Payments)), Additional Amounts as shall be necessary in order that the net amounts of Periodic Distribution Amounts received by the Certificateholders after such withholding or deduction shall equal the respective amounts of Periodic Distribution Amounts due and payable to any Certificateholder which would otherwise have been receivable in the absence of such withholding or deduction.

In addition, the Mudaraba Agreement provides that all payments thereunder by DIB (in its capacity as the Mudareb) shall be made without withholding or deduction for, or on account of, any Taxes, unless such withholding or deduction of the Taxes is required by law. In the event there is any such withholding or deduction in relation to any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, DIB shall pay such Additional Amounts as shall result in the receipt by the Trustee of such net amounts of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, as would have been receivable by it if no such withholding or deduction had been required. To the extent that any such Additional Amounts are paid by DIB pursuant to the Mudaraba Agreement, DIB shall be entitled to recover amounts equal to such Additional Amounts from the amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by DIB (such shortfall the **Additional Amounts Shortfall**), DIB shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Excess Liquidation Proceeds.

Notwithstanding any other provision of the Conditions, in no event will the Trustee be required to pay any additional amounts in respect of the Certificates 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 (as amended, the **Code**) or otherwise imposed pursuant to Sections 1471 through to 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

- Trustee Covenants:** The Trustee has agreed to certain restrictive covenants as set out in Condition 6.
- Ratings:** DIB has been assigned ratings of "A" by Fitch with a "stable" outlook and "A3" by Moody's with a "stable" outlook. The Certificates will not be rated by any rating organisation upon their issue.
- Certificateholder Meetings:** A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 18.
- Tax Considerations:** See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.
- Listing and Admission to Trading:** Application has been made to Euronext Dublin for the Certificates to be admitted to listing on the Official List and for such Certificates to be admitted to trading on the Main Securities Market.
- Application has been made to the DFSA for the Certificates to be admitted to listing on the DFSA Official List and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai.
- Transaction Documents:** The Declaration of Trust, the Agency Agreement and the Mudaraba Agreement are referred to herein as the **Transaction Documents**.
- Governing Law:** The Certificates, the Declaration of Trust, the Mudaraba Agreement, the Agency Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.
- The Corporate Services Agreement and the Share Declaration of Trust are governed by the laws of the Cayman Islands.
- Waiver of Immunity:** To the extent that DIB may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, DIB will agree in the Transaction Documents not to claim and will irrevocably and unconditionally waive such immunity in relation to any legal proceedings. Further, DIB will irrevocably and unconditionally consent to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in

connection with any legal proceedings. See Condition 20.7.

**Limited Recourse:**

Proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4.4, the Certificates do not represent an interest in any of the Trustee, DIB, the Delegate, any of their Agents, or any of their respective affiliates.

If the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets is not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of any of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets.

See Condition 4.4 for further details.

DIB is obliged to make certain payments under the Transaction Documents directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 and Condition 12.3, have direct recourse against DIB to recover payments due to the Trustee from DIB pursuant to such Transaction Documents notwithstanding any other provision of Condition 4.4. Such right of the Trustee and the Delegate shall constitute an unsecured claim against DIB. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of DIB in connection with the enforcement of any such claim.

**Selling Restrictions:**

There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the EEA (including the United Kingdom), the United Kingdom, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Cayman Islands, the Kingdom of Saudi Arabia, State of Kuwait, the Kingdom of Bahrain, Hong Kong, Singapore, Malaysia and Switzerland. See "*Subscription and Sale*".

**Use of Proceeds:**

The net proceeds of the issue of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to DIB (as Mudareb) as Mudaraba Capital pursuant to the terms of the Mudaraba Agreement and will be used by DIB to enhance its tier 1 capital as well as for general corporate purposes, all in accordance with the investment plan set out in the Mudaraba Agreement, as described in "*Use of Proceeds*".



## TERMS AND CONDITIONS OF THE ADDITIONAL TIER 1 CAPITAL CERTIFICATES

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

DIB Tier 1 Sukuk (3) Ltd. (in its capacity as issuer and in its capacity as trustee, as applicable, the **Trustee**, which expression shall where the context allows include the Delegate (as defined below) acting pursuant to the powers delegated to it by the Trustee pursuant to the Declaration of Trust (as defined below)) has issued Additional Tier 1 Capital Certificates (the **Certificates**) in an aggregate face amount of U.S.\$750,000,000. The Certificates are constituted by a declaration of trust (the **Declaration of Trust**) dated 22 January 2019 (the **Issue Date**) made between the Trustee, Dubai Islamic Bank PJSC (**DIB**) and HSBC Corporate Trustee Company (UK) Limited (the **Delegate**, which expression shall include all persons for the time being appointed as the delegate or delegates under the Declaration of Trust) and will represent an undivided ownership interest in the Trust Assets (as defined in Condition 5).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the **Agency Agreement**) made between the Trustee, DIB, the Delegate, HSBC Bank plc as principal paying agent (in such capacity, the **Principal Paying Agent** and together with any further or other paying agents appointed from time to time in respect of the Certificates, the **Paying Agents**), 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 Certificates, the **Transfer Agents**) and HSBC Bank plc as calculation agent (the **Calculation Agent**, which expression includes the Calculation Agent for the time being). The Paying Agents, the Transfer Agents and the Calculation Agent 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.

These Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined in Condition 1). Copies of the Transaction Documents are available for inspection and/or collection during normal business hours at the specified offices of the Principal Paying Agent. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders:

- (a) to contribute the sums paid by it in respect of its Certificate(s) to the Mudareb (as defined in Condition 5) in accordance with the Mudaraba Agreement (as defined in Condition 12.2);
- (b) to act as Rab-al-Maal (as defined in Condition 5) pursuant to the Mudaraba Agreement on its behalf (which authorisation and direction shall also apply to its successors in title and any Substituted Trustee (as defined in Condition 12.2); and
- (c) to enter into each Transaction Document, subject to the provisions of the Declaration of Trust and these Conditions.

### 1. DEFINITIONS AND INTERPRETATION

Words and expressions defined in the Declaration of Trust and 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 13;

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

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

**Assets** means the consolidated gross assets of DIB as shown (if required by any relevant party) in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of DIB, 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 DIB) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

**Auditors** means, at any time, the statutory independent auditors to DIB at the relevant time or such other auditor as may be appointed for the purpose of the Transaction Documents or, failing such appointment, as may be nominated by the Delegate (subject to the Delegate being indemnified and/or secured and/or pre-funded to its satisfaction);

**Authorised Denomination** has the meaning given to that term in Condition 2.1;

**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 Dubai, New York City and London;

**Capital Event** is deemed to have occurred if DIB is notified in writing by the Financial Regulator to the effect that the face amount (or the amount that qualifies as regulatory capital, if some amount of the Certificates are held by DIB or whose purchase is funded by DIB) of the Certificates outstanding is excluded (in full or in part) from the consolidated Tier 1 Capital of DIB (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that DIB satisfies the Financial Regulator that such non-qualification was not reasonably foreseeable at the time of the issuance of the Certificates;

**Capital Event Amount** means, in relation to a Certificate, its Prevailing Face Amount together with any Outstanding Payments;

**Capital Event Profit Amount** means, on the date of final constructive liquidation of the Mudaraba pursuant to clause 7.5(c) of the Mudaraba Agreement, an amount equal to one per cent. of the Mudaraba Capital payable from the Rab-al-Maal Final Mudaraba Profit (if any) on such date;

**Capital Regulations** means, at any time, the regulations, requirements, standards, guidelines, guidance and policies relating to the maintenance of capital and/or capital adequacy then in effect in the UAE, including those of the Financial Regulator;

**Central Bank** means the Central Bank of the UAE or any successor thereto;

**Certificateholder** means a person in whose name a Certificate is registered in the Register (or in the case of joint Certificateholders, the first named thereof) and the expressions **holder** and **holder of Certificates** and related expressions shall (where appropriate) be construed accordingly;

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

**Corporate Services Agreement** means the corporate services agreement dated 7 January 2019 made between the Trustee and the Trustee Administrator;

**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 Periodic Distribution Period in which the relevant period falls (including the first such day but excluding the last));

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

**DIB Event** means:

- (a) **Non-payment:** DIB (acting in its capacity as Mudareb) fails to pay an amount which is equivalent to principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) or profit (including Additional Amounts) due and payable by it pursuant to any Transaction Document and the failure continues for a period of (in the case of principal) seven days or (in the case of profit) 14 days (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Election or a Non-Payment Event); or
- (b) **Insolvency:** a final determination is made by a court or other official body that DIB is insolvent or bankrupt or unable to pay its debts including any financing arrangement issued (or intended to be issued) in compliance with the principles of Shari'a and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by DIB; or
- (c) **Winding-up:** an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of DIB or DIB applies or petitions, for a winding-up or administration order in respect of itself or ceases, or through an official action of its Directors threatens to cease, to carry on all or substantially all of its business or operations, except, in each case (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or (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 UAE has an analogous effect to any of the events referred to in paragraphs (b) or (c) above;

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

**Dispute** has the meaning given to it in Condition 20.2;

**Dissolution Distribution Amount** means the Trustee Call Amount, the Capital Event Amount or the Tax Redemption Amount, as the case may be, or such other amount in the nature of a redemption amount as may be determined in accordance with these Conditions;

**Dissolution Event** means a DIB Event and/or a Trustee Event;

**Dissolution Notice** has the meaning given to it in Condition 12.1;

**Dissolution Request** has the meaning given to it in Condition 12.1;

**Distributable Items** means the amount of DIB'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 its latest audited or (as the case may be) auditor reviewed consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital that do not constitute Common Equity Tier 1 Capital;

**Excess Liquidation Proceeds** has the meaning given to it in the Mudaraba Agreement;

**Existing Tier 1 Securities** means the Existing 2013 Tier 1 Securities and the Existing 2015 Tier 1 Securities;

**Existing 2013 Tier 1 Securities** means the U.S.\$1,000,000,000 perpetual tier 1 capital certificates issued by DIB Tier 1 Sukuk Ltd. on 20 March 2013 in connection with a mudaraba agreement dated 20 March 2013 made between DIB Tier 1 Sukuk Ltd. and DIB;

**Existing 2015 Tier 1 Securities** means the U.S.\$1,000,000,000 perpetual tier 1 capital certificates issued by DIB Tier 1 Sukuk (2) Ltd. on 20 January 2015 in connection with a mudaraba agreement dated 20 January 2015 made between DIB Tier 1 Sukuk (2) Ltd. and DIB;

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

**Final Mudaraba Profit** has the meaning given to it in the Mudaraba Agreement;

**Financial Regulator** means the Central Bank or any successor entity having primary bank supervisory authority with respect to DIB in the UAE;

**First Call Date** means 22 January 2025;

**First Mudaraba Profit Distribution Date** means 22 July 2019;

**General Mudaraba Pool** has the meaning given to it in the Mudaraba Agreement;

**H.15 (519)** means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System and **most recent H.15 (519)** means the H.15 (519) published closest in time but prior to the applicable U.S. Government Securities Determination Date. H.15 (519) may be currently obtained at the following website: <https://www.federalreserve.gov/releases/h15/>;

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

**Initial Periodic Distribution Rate** has the meaning given to it in Condition 7.4(a);

**Junior Obligations** means all claims of the holders of Ordinary Shares and all payment obligations of DIB 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 Certificates;

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

**Liabilities** means the consolidated gross liabilities of DIB as shown (if required by any relevant party) in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of DIB, 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 DIB) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

**Margin** means 3.664 per cent. per annum;

**Mudaraba** has the meaning given to it in Condition 5;

**Mudaraba Agreement** has the meaning given to it in Condition 5;

**Mudaraba Assets** has the meaning given to it in Condition 5;

**Mudaraba Capital** has the meaning given to it in Condition 5;

**Mudaraba End Date** means the date on which the Mudaraba ends, being the date on which all, but not some only, of the Certificates are redeemed in accordance with these Conditions;

**Mudaraba Profit** has the meaning given to it the Mudaraba Agreement;

**Mudaraba Profit Distribution Date** means 22 January and 22 July in each year, starting on the First Mudaraba Profit Distribution Date;

**Mudaraba Reserve** has the meaning given to it in the Mudaraba Agreement;

**Mudareb** has the meaning given to it in Condition 5;

**Non-Payment Election** has the meaning given to it in Condition 8.2;

**Non-Payment Event** has the meaning given to it in Condition 8.1;

**Non-Viability Event** means that the Financial Regulator has notified DIB in writing that it has determined that DIB is, or will become, Non-Viable without (a) a Write-down; or (b) a public sector injection of capital (or equivalent support);

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

**Non-Viability Notice** has the meaning given to it in Condition 11.2;

**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 which is specified as constituting non-viability by the Financial Regulator or in applicable banking regulations;

**Ordinary Shares** means issued ordinary shares of DIB, having on the Issue Date a par value of AED1.00 each;

**Other Common Equity Tier 1 Instruments** means securities issued by DIB that qualify as Common Equity Tier 1 Capital of DIB other than Ordinary Shares;

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

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

**Payment Business Day** has the meaning given to it in Condition 9.3;

**Periodic Distribution Amount** has the meaning given to it in Condition 7.2;

**Periodic Distribution Date** means 22 January and 22 July in each year, starting on (and including) 22 July 2019;

**Periodic Distribution Period** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

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

**Prevailing Face Amount** means, in respect of a Certificate, the initial face amount of such Certificate as reduced by a Write-down of such Certificate (on one or more occasions) at or prior to such time pursuant to Condition 11;

**Proceedings** has the meaning given to it in Condition 20.5;

**Profit Rate** means, in respect of the Initial Period, the Initial Periodic Distribution Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 7.4(a);

**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 DIB that:

- (a) will be eligible to constitute Tier 1 Capital on issue;
- (b) have terms and conditions not materially less favourable to a holder of the Certificates than the terms and conditions of the Certificates (as reasonably determined by DIB (*provided that* in making this determination DIB is not required to take into account the tax treatment of the new instrument in the hands of all or any Certificateholders, or any transfer or similar taxes that may apply on the acquisition of the new instrument) *provided that* a certification to such effect of two Directors shall have been delivered to the Trustee prior to the variation of the terms of the Certificates in accordance with Condition 10.1(c) or Condition 10.1(d) (as the case may be));
- (c) continue to be obligations of DIB, directly or indirectly or by a guarantee or equivalent support undertaking by DIB;
- (d) rank on a winding-up at least *pari passu* with the Relevant Obligations;

- (e) have the same face value amount, profit distribution dates and profit or distribution rate or rate of return as the Certificates;
- (f) (where the Certificates 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 Certificates; and
- (g) if, immediately prior to the variation of the terms of the Certificates in accordance with Condition 10.1(c) or Condition 10.1(d) (A) the Certificates were listed or admitted to trading on a Regulated Market, have been listed or admitted to trading on a Regulated Market; or (B) the Certificates 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 recognised stock exchange (including, without limitation, a Regulated Market), in each case as selected by the Trustee and approved by the Delegate,

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 DIB (including, without limitation, such technical changes as may be required in the adoption and implementation of the Basel III Documents);

**Rab-al-Maal** has the meaning given to it in Condition 5;

**Rab-al-Maal Final Mudaraba Profit** has the meaning given to it in the Mudaraba Agreement;

**Rab-al-Maal Mudaraba Profit** has the meaning given to it in the Mudaraba Agreement;

**Record Date** means, in the case of the payment of a Periodic Distribution Amount, the date falling on the fifteenth day before the relevant Periodic Distribution Date and, in the case of the payment of a Dissolution Distribution Amount, the date falling two Payment Business Days before the date for payment of the relevant Dissolution Distribution Amount, as the case may be;

**Register** has the meaning given to it in Condition 2.1;

**Registered Account** has the meaning given to it in Condition 9.1;

**Regulated Market** means a regulated market for the purposes of Directive 2014/65/EU, as amended;

**Relevant Date in respect of a Certificate** means (a) the date on which payment in respect of such Certificate first becomes due, or (b) if the full amount of the money payable has not been received by the Principal Paying Agent or the Delegate on or before the due date, the date on which, the full amount of the money having been so received, notice to that effect has been duly given to Certificateholders in accordance with Condition 17;

**Relevant Six Year Reset Rate** means, in respect of each Reset Period: (i) a rate (expressed as a decimal) determined on the relevant U.S. Securities Determination Date to be the per annum rate equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of six years and trading in the public securities markets; or (ii) if there is no such published U.S. Treasury security with a maturity of six years and trading in the public securities markets, then the rate will be determined on the relevant U.S. Securities Determination Date by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market: (A) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (B) the other maturity as close as possible to, but later than the immediately following Reset Date, in each case as published in the most recent H.15 (519). If the Trustee cannot procure the determination of the Relevant Six Year Reset Rate on the relevant

Determination Date pursuant to the methods described in (i) and (ii) above, then the Relevant Six Year Reset Rate will be: (i) equal to the rate applicable to the immediately preceding Reset Period; or (ii) in the case of the Reset Period commencing on the First Call Date, 2.586 per cent.;

**Relevant Jurisdiction** means the Cayman Islands (in the case of any payment made by the Trustee) and the UAE and/or the Emirate of Dubai (in the case of any payment made by DIB) or, in each case, any political sub-division or authority thereof or therein having the power to tax;

**Relevant Obligations** has the meaning given to it Condition 4.2(a);

**Reserved Matter** has the meaning given to it in the Declaration of Trust;

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

**Reset Period** means the period from (and including) the first Reset Date to (but excluding) the earlier of (a) the Mudaraba End Date and (b) the following Reset Date, and (if applicable) each successive period thereafter from (and including) such Reset Date to (but excluding) the earlier of (i) the Mudaraba End Date and (ii) the next succeeding Reset Date;

**Rules** has the meaning given to it in Condition 20.2;

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

**Senior Obligations** means all unsubordinated payment obligations of DIB (including payment obligations to DIB's depositors (in respect of their due claims)) and all subordinated payment obligations (if any) of DIB except *Pari Passu* Obligations and Junior Obligations;

**Solvency Conditions** has the meaning given to it in Condition 4.2(b);

**Solvent** means that: (a) DIB is able to pay its debts as they fall due and (b) its Assets exceed its Liabilities;

**Subsidiary** means any entity whose financial statements at any time are required by applicable law or in accordance with provisions of generally accepted accounting principles to be fully consolidated with those of DIB;

**Substituted Territory** has the meaning given to it in Condition 12.2;

**Substituted Trustee** has the meaning given to it in Condition 12.2;

**Tax Event** means DIB or the Trustee (as the case may be) would, as a result of a Tax Law Change, in making any payments under the Mudaraba Agreement (in the case of DIB (in its capacity as Mudareb)) on the next due date for a payment of Mudaraba Profit or the Certificates (in the case of the Trustee) on the next due date for payment of a Periodic Distribution Amount (as the case may be) (whether or not a Non-Payment Event has occurred or a Non-Payment Election has been made), be required to pay Additional Amounts (and such requirement cannot be avoided by DIB or the Trustee (as the case may be) taking reasonable measures available to it), and provided that DIB satisfies the Financial Regulator that such Tax Law Change was not reasonably foreseeable at the time of the issuance of the Certificates;



**Tax Law Change** means any change in, or amendment to, the laws, regulations or rulings affecting taxation of any Relevant Jurisdiction, or any change in the official application of such laws, regulations or rulings;

**Tax Redemption Amount** means, in relation to a Certificate, its Prevailing Face Amount together with any Outstanding Payments;

**Taxes** has the meaning given to it in Condition 13;

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

**Transaction Account** has the meaning given to it in Condition 5;

**Transaction Documents** means each of the Declaration of Trust, the Agency Agreement, the Mudaraba Agreement and any other agreements, deeds, undertakings or other documents designated as such by the parties thereto;

**Trust Assets** has the meaning given to it in Condition 5;

**Trustee Administrator** means MaplesFS Limited;

**Trustee Call Amount** means, in relation to a Certificate, its Prevailing Face Amount together with any Outstanding Payments;

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

- (a) **Non-Payment:** default is made in the payment of the Dissolution Distribution Amount on the due date for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of any Periodic Distribution Amount only, such default continues for a period of seven days; or
- (b) **Insolvency:** the Trustee is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or (in the opinion of the Delegate) a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or
- (c) **Winding-up:** an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Trustee, or the Trustee applies or petitions for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or
- (d) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (b) or (c) above;

For the purpose of paragraph (a) (*Non-Payment*) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts calculated as being payable under Condition 7.4) notwithstanding that the Trustee has at the relevant time insufficient funds or

relevant Trust Assets to pay such amounts including, without limitation, as a result of any failure by the Mudareb to comply with the matters described in Condition 4.4(c) (save in each case where such insufficient funds arise solely as a result of DIB making a Non-Payment Election or the occurrence of a Non-Payment Event);

**Trustee's Territory** has the meaning given to it in Condition 12.2;

**UAE** means United Arab Emirates;

**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 Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) 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 relevant Write-down Amount corresponding to the full proportion of the Prevailing Face Amount of each Certificate then outstanding, the Certificates shall be cancelled; and
- (c) the rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Periodic Distribution 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 Financial Regulator by which the aggregate Prevailing Face Amount of the Certificates then outstanding is to be Written-down on a *pro rata* basis and shall be calculated per Certificate by reference to the Prevailing Face Amount of each Certificate then outstanding which is to be Written-down.

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

## **2. FORM, DENOMINATION AND TITLE**

### **2.1 Form and Denomination**

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

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

## **2.2 Title**

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

## **3. TRANSFERS OF CERTIFICATES**

### **3.1 Transfers**

Subject to Conditions 3.4 and 3.5 and the provisions of the Agency Agreement, a Certificate may be transferred in an Authorised Denomination only by depositing the Certificate by which it is represented, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

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

### **3.2 Delivery of New Certificates**

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

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

### 3.3 Formalities Free of Charge

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

### 3.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or any other date on which any payment of the face amount or payment of any premium or profit in respect of a Certificate falls due.

### 3.5 Regulations

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

The holder of Certificates shall be entitled to receive, in accordance with Condition 3.2, only one Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2.

## 4. STATUS, SUBORDINATION AND LIMITED RECOURSE

### 4.1 Status

The Certificates represent an undivided ownership interest in the Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* without any preference or priority, with all other Certificates. The rights and claims of the Trustee and the Certificateholders against DIB in respect of the Relevant Obligations are subordinated as described in Condition 4.2.

### 4.2 Subordination

- (a) The payment obligations of DIB under the Mudaraba Agreement (including all payments which are the equivalent of principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) and profit) (the **Relevant Obligations**) will (i) constitute Additional Tier 1 Capital of DIB, (ii) constitute direct, unsecured, conditional and subordinated obligations of DIB, (iii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iv) rank *pari passu* with all other *Pari Passu* Obligations, which, for the avoidance of doubt, includes and shall continue to include DIB's obligations under the Existing Tier 1 Securities, and (v) subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of DIB by a court in the UAE, rank in priority only to all Junior Obligations.
- (b) The rights and claims of the Trustee against DIB in respect of the Relevant Obligations are subordinated in right of payment to the claims of all Senior Creditors and accordingly payments in respect of the Relevant Obligations by DIB are conditional upon the following (together, the **Solvency Conditions**):

- (i) DIB (in its capacity as Mudareb or otherwise) being Solvent at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable;
  - (ii) DIB (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment that is due 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 DIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable.
- (c) The Trustee has agreed in the Mudaraba Agreement that DIB shall be entitled (in its capacity as Mudareb or otherwise) to utilise the Mudaraba Assets (or any part thereof) or utilise the Mudaraba Profit (or any part thereof) to make payments in respect of the claims of Senior Creditors and, for the avoidance of doubt, such entitlement shall apply both in circumstances (i) where DIB (in its capacity as Mudareb or otherwise) is Solvent and/or (ii) where an order has been made, or an effective resolution has been passed, for the winding-up, bankruptcy, dissolution or liquidation (or other analogous event) of DIB (in its capacity as Mudareb or otherwise).
- (d) Notwithstanding any other provision 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 Mudareb has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by the Mudareb in respect of the Relevant Obligations.
- (e) The Trustee may only exercise its enforcement rights in relation to any Relevant Obligation or in relation to any of its other rights under the Mudaraba Agreement or any other Transaction Document in the manner provided in Condition 12.3.
- (f) The Trustee will, in each relevant Transaction Document, unconditionally and irrevocably waive 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 Relevant Obligations. No collateral is or will be given by DIB for the Relevant Obligations and any collateral that may have been or may in the future be given in connection with other obligations of DIB shall not secure the Relevant Obligations.

### **4.3 Other Issues**

So long as any of the Certificates remain outstanding, DIB (in its capacity as Mudareb or otherwise) will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or a consolidated basis) issued Tier 1 Capital of DIB if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Relevant Obligations. This prohibition will not apply if at the same time or prior thereto: (a) these Conditions and (to the extent applicable) the Transaction Documents are amended to ensure that the Trustee (on behalf of the Certificateholders) obtains and/or (b) the Relevant Obligations and DIB's obligations under the Relevant Obligations have, the benefit of, such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Relevant Obligations rank

*pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

#### **4.4 Limited Recourse and Agreement of Certificateholders**

Save as provided in this Condition 4.4, the Certificates do not represent an interest in any of the Trustee, DIB, the Delegate, any of the Agents or any of their respective affiliates. Each Certificateholder, by subscribing for or acquiring the Certificates, acknowledges and agrees that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Trustee or any of its shareholders, directors, officers, employees or agents on its behalf except to the extent funds are available therefor from the Trust Assets;
- (b) the Trustee may not deal with the Mudaraba Assets or realise or deal with its interest, rights, title, benefit and entitlements, present and future, in to and under the Transaction Documents and the Trust Assets except in the manner expressly permitted by the Transaction Documents;
- (c) the proceeds of the Trust Assets are the sole source of payments on the Certificates. Payment by the Trustee of any Periodic Distribution Amount or any amount required to redeem the Certificates is subject to receipt by the Trustee of the amounts expected to be received by it from the Mudareb in accordance with the provisions of the Mudaraba Agreement. The Mudaraba Agreement provides that there is no guarantee of any return from the Mudaraba Assets and DIB's obligation to pay amounts thereunder are subject to the more detailed provisions set out therein, and references in these Conditions to "Periodic Distribution Amount", "profit" and "Profit Rate" should be construed accordingly;
- (d) if the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets are not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents, or any of their respective affiliates in respect of any such shortfall, and no recourse shall be had, and no holder will have any claim, for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted (following which all obligations of the Trustee shall be extinguished) or the Delegate or the Agents;
- (e) it will not petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee or any of its directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (f) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with these Conditions or the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, member, officer, agent, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee under these Conditions and the Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate

services provider of the Trustee (in each of their respective capacities as such), save in the case of their wilful default or actual fraud. References in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party);

- (g) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of any sums due under such Certificate. No collateral is or will be given for the payment obligations under the Certificates; and
- (h) the Trustee and Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by (i) the Mudareb's breach of the Mudaraba Agreement or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

DIB is obliged to make certain payments under the Transaction Documents directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 and Condition 12.3, have direct recourse against DIB to recover payments due to the Trustee from DIB pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4.4. Such right of the Trustee and the Delegate shall constitute an unsecured claim against DIB. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of DIB in connection with the enforcement of any such claim.

## 5. THE TRUST

- 5.1 DIB Tier 1 Sukuk (3) Ltd. (in its capacity as Trustee and in its capacity as rab-al-maal (in such capacity, the **Rab-al-Maal**)) will enter into a mudaraba agreement (the **Mudaraba Agreement**) to be dated the Issue Date with DIB (in its capacity as mudareb (in such capacity, the **Mudareb**)). Pursuant to the Mudaraba Agreement, the Rab-al-Maal will contribute the proceeds of the issue of the Certificates to the Mudareb, which proceeds will form the initial capital of the Mudaraba (as defined below) and which may be subject to change after the Issue Date in accordance with Condition 10.2 (the **Mudaraba Capital**). The Mudareb will invest the Mudaraba Capital on an unrestricted co-mingling basis in its general business activities carried out through the General Mudaraba Pool and following investment of the Mudaraba Capital in the General Mudaraba Pool, it shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the **Mudaraba Assets**), on a basis proportionate to the rights and obligations of holders of equity of DIB and in accordance with the Mudaraba Agreement, which shall include an investment plan prepared by the Mudareb and shall constitute a mudaraba (the **Mudaraba**).

The Trustee has opened a non-interest bearing transaction account in London (the **Transaction Account**) in its own name (details of which are set out in the Declaration of Trust) which shall be operated by the Principal Paying Agent on behalf of the Trustee and for the benefit of the Certificateholders, and into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement. If the Trustee is substituted in accordance with Condition 12.2, the Substituted Trustee will be required to open and maintain a transaction account in London in its name which shall be operated by the Principal Paying Agent on behalf of the Trustee and for the benefit of the Certificateholders and into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement from the date of substitution onwards, and references in these Conditions to the **Transaction Account** will be construed accordingly.

- 5.2 Pursuant to the Declaration of Trust, the Trustee holds:

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

- (b) all of its rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;
- (c) all of its rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by DIB (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and
- (d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing (together, the **Trust Assets**) upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each such holder in accordance with the Declaration of Trust and these Conditions.

**5.3** On each Periodic Distribution Date and on any date fixed for payment of the Dissolution Distribution Amount, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (a) *first*, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate in accordance with the Declaration of Trust;
- (b) *second*, only if such payment is due on or before a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu*, (i) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as trustee; (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement in its capacity as Trustee Administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any Liability incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;
- (c) *third*, only if such payment is due on a Periodic Distribution Date, and subject to Condition 8, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts (including Additional Amounts) due but unpaid;
- (d) *fourth*, only if such payment is due on a date fixed for payment of the Dissolution Distribution Amount, in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; and
- (e) *fifth*, only after all amounts required to be paid in respect of the Certificates have been discharged in full, in payment of any residual amount to DIB.

Any such residual amount shall be credited to the Murabaha Reserve and the balance of amounts standing to the credit of the Mudaraba Reserve, after paying all amounts due to the Trustee pursuant to the Mudaraba Agreement, shall be paid to DIB as an incentive fee.

## 6. COVENANTS

The Trustee has covenanted in the Declaration of Trust that, *inter alia*, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

- (a) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of Shari'a or otherwise), or give any guarantee or indemnity in respect of any obligation of any



person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

- (b) secure any of its present or future indebtedness (whether structured in accordance with the principles of Shari'a or otherwise) by granting or permitting to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) or under or pursuant to any of the Transaction Documents);
- (c) sell, transfer, assign, participate, exchange or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise), or permit such to occur or suffer such to exist) any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents (other than those arising by operation of law);
- (d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (e) amend or agree to any amendment to any Certificate or Transaction Document (other than in accordance with the terms thereof) in each case in a manner which is materially prejudicial to the rights of Certificateholders, without the prior approval of the Certificateholders by way of Extraordinary Resolution, save that it shall be permitted to make such variations to the Transaction Documents and these Conditions as are required pursuant to Condition 10.1;
- (f) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (g) have any subsidiaries or employees;
- (h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up (except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders) or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it; and
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
  - (i) as provided for or permitted in the Transaction Documents;
  - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

## 7. PERIODIC DISTRIBUTIONS

### 7.1 Distribution of Mudaraba Profit

The Trustee has agreed in the Mudaraba Agreement that DIB shall be entitled (in its capacity as Mudareb or otherwise) to utilise the Mudaraba Assets (and the proceeds thereof) in respect of the Certificates to make payments in respect of the claims of Senior Creditors or to cover losses of the Mudaraba and that such entitlement shall apply at any time before an order has been made, or an effective resolution has been passed, for the winding-up, dissolution or liquidation (or other analogous event) of DIB (in its capacity as Mudareb or otherwise).

### 7.2 Periodic Distribution Amounts

Subject to Conditions 4.2(d), 4.4, 7.3, 8, 9 and 11, the Trustee shall distribute to Certificateholders, *pro rata* to their respective holdings, out of amounts transferred into the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the Periodic Distribution Amount. The **Periodic Distribution Amount** payable on each Periodic Distribution Date (a) falling prior to and including the first Reset Date shall be equal to the product of: (A) the Initial Periodic Distribution Rate; and (B) the Prevailing Face Amount of the Certificates then outstanding and (b) falling after the first Reset Date shall be the relevant amount calculated pursuant to Condition 7.4.

### 7.3 Cessation of Accrual

Subject to Conditions 4.2(d), 8 and 11, each Certificate will cease to be eligible to earn Periodic Distribution Amounts from the due date for redemption, following liquidation of the Mudaraba in accordance with these Conditions and the Mudaraba Agreement.

### 7.4 Periodic Distributions

Subject to Condition 8, the Certificates bear profit at the applicable Profit Rate from (and including) the Issue Date in accordance with the provisions of this Condition 7. Periodic Distribution Amounts will not be cumulative and any Periodic Distribution Amount which is not paid will not accumulate or compound and Certificateholders will have no claim in respect of any such Periodic Distribution Amount at any time, even if Periodic Distribution Amounts are paid in the future.

If DIB makes a Non-Payment Election or a Non-Payment Event occurs, any Periodic Distribution Amount which is not paid to the Certificateholders shall be credited by DIB to the Mudaraba Reserve.

Subject to Condition 8, Periodic Distribution Amounts shall be payable on the Certificates semi-annually in arrear on each Periodic Distribution Date, in respect of the Periodic Distribution Period ending on such date, in each case as provided in this Condition 7.

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Periodic Distribution Period and other than the first Periodic Distribution Period (the **Relevant Period**), it shall be calculated as an amount equal to the product of: (a) the applicable Profit Rate; (b) the Prevailing Face Amount of the relevant Certificate 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).

#### (a) **Periodic Distribution Rate**

For the Initial Period, the Certificates bear profit at the Profit Rate of 6.250 per cent. per annum (the **Initial Periodic Distribution Rate**).

The Profit Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Six Year Reset Rate procured by the Trustee on the relevant Determination Date, and notified to the Calculation Agent on such Determination Date.

The Calculation Agent will, as soon as practicable upon determination of the Profit Rate which shall apply to the Reset Period commencing on the relevant Reset Date but in no event later than the second Business Day thereafter, cause the applicable Profit Rate and the corresponding Periodic Distribution Amount to be notified to each of the Paying Agents, the Irish Stock Exchange plc trading as Euronext Dublin or any other stock exchange on which the Certificates are for the time being listed and to be notified to Certificateholders in accordance with Condition 17.

(b) **Calculation Agent**

With effect from the First Call Date, and so long as any Certificates remain outstanding thereafter, the Trustee will maintain a Calculation Agent.

The Trustee may, with the prior written approval of the Delegate, from time to time replace the Calculation Agent with another leading investment, merchant or commercial bank or financial institution in London. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or (without prejudice to Condition 7.4(c)) fails duly to determine the Profit Rate in respect of any Reset Period as provided in Condition 7.4(a), the Trustee shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London approved in writing by the Delegate to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

(c) **Determinations of Calculation Agent or Trustee Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7, whether by the Calculation Agent or the Trustee (or its agent), shall (in the absence of manifest error) be binding on the Trustee, DIB, the Calculation Agent, the Paying Agents, the Delegate and all Certificateholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Certificateholders, the Trustee, any Agent or the Delegate shall attach to the Calculation Agent, the Trustee (or its agent) in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

**7.5 Capital Event Profit Amount**

If the Certificates are redeemed following a Capital Event, the Periodic Distribution Amount payable as part of the Outstanding Payments shall include a further profit amount in an amount equal to the Capital Event Profit Amount. In these Conditions, references to any **Periodic Distribution Amounts** (and the related expression, Rab-al-Maal Final Mudaraba Profit) shall be deemed, where relevant, to include the Capital Event Profit Amount payable under this Condition 7.5.

**8. PERIODIC DISTRIBUTION RESTRICTIONS**

**8.1 Non-Payment Event**

Notwithstanding Condition 7.4, if any of the following events occurs (each, a **Non-Payment Event**), DIB (as Mudareb) shall not pay Mudaraba Profit (and, as a result, Rab-al-Maal Mudaraba Profit) or Final Mudaraba Profit (and, as a result, Rab-al-Maal Final Mudaraba Profit) on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), and as a result thereof the Trustee shall not pay Periodic Distribution Amounts on the corresponding Periodic Distribution Date:

- (a) the amount equal to the then applicable Periodic Distribution Amount (which for the purposes of these Conditions includes Additional Amounts as referred to in Condition 13) to be paid by DIB out of the Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable (the **Relevant Rab-al-Maal Mudaraba Profit Amount**), when aggregated with any distributions or amounts payable by DIB (in its capacity as Mudareb or otherwise) on the same date (or otherwise due and payable on such date) on any other obligations in respect of Pari Passu Obligations, exceeds, on the relevant date for payment of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, Distributable Items; or
- (b) DIB (in its capacity as Mudareb or otherwise) is, on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any capital buffers imposed on DIB by the Financial Regulator) or payment of the Relevant Rab-al-Maal Mudaraba Profit Amount (as applicable) to the Trustee would cause it to be in breach thereof; or
- (c) the Financial Regulator requires (i) DIB not to pay the Relevant Rab-al-Maal Mudaraba Profit Amount to the Trustee on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) or (ii) the Trustee not to pay the relevant Periodic Distribution Amount on that Periodic Distribution Date, in each case, on account of DIB making a net loss during the relevant financial period or for any other reason as it may deem necessary; or
- (d) the Solvency Conditions are not satisfied (or would no longer be met if the Relevant Rab-al-Maal Mudaraba Profit Amount was paid).

## 8.2 Non-Payment Election

Notwithstanding Condition 7.4, DIB may in its sole discretion elect that Rab-al-Maal Mudaraba Profit will not be paid to the Trustee (in its capacity as Rab-al-Maal) on any Mudaraba Profit Distribution Date, and DIB shall, in such case, instruct the Trustee not to make payment of a Periodic Distribution Amount to Certificateholders on such Periodic Distribution Date provided that the foregoing in this Condition 8.2 shall not apply in respect of Rab-al-Maal Final Mudaraba Profit payable on any Mudaraba End Date (any such election being a **Non-Payment Election**).

## 8.3 Effect of Non-Payment Event or Non-Payment Election

If a Non-Payment Election or a Non-Payment Event occurs, then DIB shall (a) in the case of a Non-Payment Election, no later than seven calendar days prior to such event, and (b) in the case of a Non-Payment Event, as soon as practicable thereafter but in any case no later than five Business Days prior to the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, give notice to the Trustee and the Principal Paying Agent in accordance with the Mudaraba Agreement, the Delegate in accordance with the Declaration of Trust and Certificateholders in accordance with Condition 17, which notice shall be revocable, in each case providing details of the Non-Payment Election or Non-Payment Event, as the case may be. In the absence of notice of such Non-Payment Election or Non-Payment Event, as the case may be, having been given in accordance with this Condition 8.3, the fact of non-payment of the relevant Periodic Distribution Amount on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Certificateholders shall have no claim in respect of any Periodic Distribution Amount due but not paid as a result of either a Non-Payment Election or a Non-Payment Event (in each case, irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given in accordance with this Condition 8.3) and any non-payment of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit (in the case of a Non-Payment Event only) or a Periodic Distribution Amount in such circumstance shall not constitute a Dissolution Event. DIB shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (whether

from its own cash resources, from the Mudaraba Reserve or otherwise) (which shall be credited by DIB to the Mudaraba Reserve). The Trustee shall not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts but, for the avoidance of doubt, any such unpaid profit shall continue to constitute part of the Mudaraba Assets.

#### **8.4 Dividend and Redemption Restrictions**

If any amount of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event pursuant to Condition 8.1 or 8.2 (as the case may be), then, from the date of such Non-Payment Election or Non-Payment Event (the **Dividend Stopper Date**), DIB will not, so long as any of the Certificates 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, any class of shares issued by DIB (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, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which do not at the relevant time enable DIB to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the relevant regulatory criteria for Additional Tier 1 Capital applicable from time to time; or
- (c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any class of shares issued by DIB; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by DIB ranking, as to the right of repayment of capital, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Additional Tier 1 Capital applicable from time to time,

in each case unless or until the next following payment of Rab-al-Maal Mudaraba Profit or (as the case may be) Rab-al-Maal Final Mudaraba Profit 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 Trustee in accordance with the Mudaraba Agreement).

### **9. PAYMENTS**

#### **9.1 Payments in respect of the Certificates**

Subject to Condition 9.2, payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by or on behalf of the Trustee in U.S. dollars by wire transfer in same day funds to the Registered Account (as defined below) of the Certificateholder. Payments of the Dissolution Distribution Amount will only be made against presentation and surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9, a Certificateholder's **Registered Account** means the U.S. dollar account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date.

## **9.2 Payments subject to Applicable Laws**

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13.

## **9.3 Payment only on a Payment Business Day**

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

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

If the amount of the Dissolution Distribution Amount or, subject to Conditions 8.1 and 8.2, any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

In this Condition 9.3, **Payment Business Day** means a day on which commercial banks and foreign exchange markets in Dubai, London and New York City settle payments and are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

## **9.4 Agents**

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); and
- (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, it will at all times maintain a Paying Agent, Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Trustee in accordance with Condition 17.

## **10. REDEMPTION AND VARIATION**

### **10.1 Redemption and variation**

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

The Certificates are perpetual securities in respect of which there is no fixed redemption date and the Trustee shall (subject to the provisions of Condition 4.2, Condition 11) and without prejudice to the provisions of Condition 14) only have the right to redeem the Certificates or vary the terms thereof in accordance with the following provisions of this Condition 10.

The redemption of the Certificates or variation of these Conditions, in each case pursuant to this Condition 10, is subject to the following conditions (in addition to those set out elsewhere in this Condition 10.1):

- (i) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so requires) DIB having obtained the prior consent of the Financial Regulator;
- (ii) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so requires) at the time when the relevant notice of redemption or variation is given, DIB is in compliance with the Applicable Regulatory Capital Requirements;
- (iii) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so requires) immediately following such redemption or variation (as applicable), DIB will be in compliance with the Applicable Regulatory Capital Requirements;
- (iv) the Solvency Conditions are satisfied; and
- (v) (in the case of a redemption or variation pursuant to Conditions 10.1(c) or 10.1(d) only) the Tax Law Change or Capital Event, as the case may be, becomes, or would become, effective on or after the Issue Date.

If the Trustee (upon the instructions of DIB (acting in its sole discretion)) gives a notice of redemption in accordance with this Condition 10 and, after giving such notice but prior to the relevant redemption date specified in such notice, a Non-Viability Event occurs, the relevant notice of redemption shall be automatically rescinded and shall be of no force and effect, the Certificates will not be redeemed on the scheduled date of redemption and instead a Write-down shall occur in accordance with Condition 11.

Following the occurrence of a Non-Viability Event, the Trustee (upon the instructions of DIB (acting in its sole discretion)) shall not be entitled to give a notice of redemption in accordance with Condition 10 prior to the Non-Viability Event Write-down Date.

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

Subject to Condition 10.1(a), DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall give not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust, and, provided that any such notice has not been revoked by the Trustee (upon the instructions of DIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust prior to the redemption date specified in the initial notice, redeem all, but not some only, of the Certificates at the Trustee Call Amount.

Redemption of the Certificates pursuant to this Condition 10.1(b) may only occur on the First Call Date or any Periodic Distribution Date thereafter.

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

- (i) Subject to Condition 10.1(a) and the provisions of this Condition 10.1(c), if a Tax Event occurs, DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee

shall, by giving not less than ten nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust, and, provided that any such notice has not been revoked by the Trustee (upon the instructions of DIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust prior to the redemption date specified in the initial notice (A) redeem all, but not some only, of the Certificates at the Tax Redemption Amount; or (B) vary the terms of the Mudaraba Agreement (subject to the approval of the Fatwa and Sharia Supervisory Board of the Mudareb) and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the Certificateholders, and in the case of (B) only provided that such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate. If DIB does not instruct the Trustee to so redeem or vary in accordance with this Condition 10.1(c)(i) in respect of such Tax Event then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2, Condition and Condition 12.3 and without prejudice to the provisions of Condition 14) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10.

- (ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(c) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).
- (iii) At the same time as the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 10.1(c), DIB shall give to the Trustee and the Delegate a certificate signed by two Directors (upon which the Delegate may rely without liability to any person) stating that (A) the conditions set out in Condition 10.1(a) have been satisfied; (B) a Tax Event has occurred; and (C) in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and that the Financial Regulator has confirmed that they 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 in this Condition 10.1(c)(iii) and the Delegate shall be entitled to accept and rely on such certificate as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice and provided that it has not been revoked, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

(d) **Redemption or Variation for Capital Event**

- (i) Subject to Condition 10.1(a) and the provisions of this Condition 10.1(d), if a Capital Event occurs, DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than ten nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust, and, provided that any such notice has not been revoked by the Trustee (upon the instructions of DIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust prior to the redemption date specified in the initial notice, (A) redeem all, but not some only, of the Certificates at the Capital Event Amount; or (B) solely for the purpose of ensuring compliance with the Applicable Regulatory Capital Requirements vary the terms of the Mudaraba Agreement (subject to the approval of the Fatwa and Sharia Supervisory Board of the Mudareb) and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments without



any requirement for consent or approval of the Certificateholders, and in the case of (B) only provided that such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate. If DIB does not instruct the Trustee to so redeem or vary in accordance with this Condition 10.1(d)(i) in respect of such Capital Event then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2, Condition 11 and Condition 12.3 and without prejudice to the provisions of Condition 14) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10.

- (ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(d) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).
- (iii) At the same time as the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 10.1(d), DIB shall give to the Trustee and the Delegate a certificate signed by two Directors (upon which the Delegate may rely without liability to any person) stating that (A) the conditions set out in Condition 10.1(a) have been satisfied; (B) a Capital Event has occurred; and (C) in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and the Financial Regulator has confirmed that they 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 in this Condition 10.1(d)(iii) and the Delegate shall be entitled to accept and rely on such certificate as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice and provided that it has not been revoked, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

(e) **Taxes upon Variation**

In the event of a variation in accordance with Conditions 10.1(c) or 10.1(d), none of the Trustee, the Delegate and DIB will be obliged to pay and will not pay any liability of any Certificateholder 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 Certificates provided that (in the case of a Tax Event) or so that (in the case of a Capital Event) the Certificates remain or become, as the case may be, 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 Certificateholder.

**10.2 Purchase**

Subject to DIB (a) obtaining the prior written consent of the Financial Regulator, (b) being in compliance with the Applicable Regulatory Capital Requirements, and (c) satisfying the Solvency Conditions at the time of purchase, DIB or any of its Subsidiaries, may after the First Call Date purchase the Certificates in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between DIB or the relevant Subsidiary (as the case may be) and the relevant Certificateholder(s). Upon any purchase, DIB shall deliver such Certificates to any Paying Agent for cancellation and upon such cancellation, the Mudaraba Capital shall be reduced by the Prevailing Face Amount of the Certificates so cancelled.

**10.3 Cancellation**

All Certificates that are redeemed and all Certificates that are purchased pursuant to Condition 10.2 and which DIB delivers for cancellation in accordance with Condition 10.2 will forthwith be

cancelled and accordingly may not be held, reissued or resold.

## **11. WRITE-DOWN AT THE POINT OF NON-VIABILITY (AS PRESCRIBED BY THE FINANCIAL REGULATOR)**

### **11.1 Non-Viability Event**

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 11.2.

### **11.2 Non-Viability Notice**

On the third Business Day following the date on which such Non-Viability Event occurs (or on such earlier date as determined by the Financial Regulator), the Mudareb will notify the Trustee in writing thereof in accordance with the Mudaraba Agreement and the Trustee will then notify the Delegate, the Certificateholders and the Principal Paying Agent in writing thereof in accordance with Condition 17 (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 Face Amount of each Certificate then outstanding to nil, the Mudaraba Agreement will be automatically terminated with effect from the Non-Viability Event Write-down Date and the Trustee shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets.

## **12. DISSOLUTION EVENTS AND WINDING-UP**

The Declaration of Trust contains provisions entitling the Delegate to claim from the Trustee and DIB, *inter alia*, the fees, expenses and liabilities incurred by it in carrying out its duties under the Declaration of Trust. The restrictions on commencing proceedings described below will not apply to any such claim.

### **12.1 DIB Events**

If a DIB Event occurs, the Delegate (provided it shall have been given notice in writing thereof by the Trustee or DIB or otherwise upon becoming aware of such DIB Event through actual knowledge or express notice) shall as soon as practicable give notice of the occurrence of such DIB Event to the Certificateholders in accordance with Condition 17 with a request to such Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed and the Trust to be dissolved (a **Dissolution Request**). The Delegate may, and if so requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding, or if so directed by an Extraordinary Resolution of Certificateholders, the Delegate shall (but in each case subject to Condition 12.3(e)(i)), give notice (a **Dissolution Notice**) to the Trustee that the Certificates are immediately due and payable at the Prevailing Face Amount of the Certificates then outstanding together with any Outstanding Payments, whereupon the aggregate face amount of the Certificates then outstanding together with any Outstanding Payments shall become immediately due and payable. A Dissolution Notice may be given whether or not a Dissolution Request has been given to Certificateholders.

### **12.2 Trustee Events**

(a) DIB has undertaken in the Declaration of Trust that, as soon as practicable following the occurrence of a Trustee Event, it will procure, subject to such amendment of the Declaration of Trust and such other conditions as the Delegate may require and subject to the consent of the Financial Regulator, the substitution of any newly formed special purpose company in form substantially the same as that of the Trustee, in place of the Trustee (the **Substituted Trustee**), or of any previous substituted company, as trustee and issuer under the Declaration of Trust and the Certificates provided that:

(i) a deed is executed or undertaking given by the Substituted Trustee to the Delegate, in form

and manner satisfactory to the Delegate, agreeing to be bound by the Declaration of Trust, the Certificates and the Transaction Documents (with consequential amendments as the Delegate may deem appropriate) as if the Substituted Trustee had been named in the Declaration of Trust, the Certificates and the other Transaction Documents as trustee and issuer in place of the Trustee;

- (ii) if the Substituted Trustee is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the **Substituted Territory**) other than the territory of the taxing jurisdiction to which (or to any such authority of or in which) the Trustee is subject generally (the **Trustee's Territory**), the Substituted Trustee shall (unless the Delegate otherwise agrees) give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to Condition 13 with the substitution for or the addition to the references in that Condition and the definition of Relevant Jurisdiction to the Trustee's Territory of references to the Substituted Territory whereupon the Declaration of Trust and the Certificates shall be read accordingly (and DIB shall also be required to give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to the last paragraph of Condition 13, extending its obligations thereunder to the Substituted Territory);
  - (iii) if any two directors of the Substituted Trustee certify that it will be solvent immediately after such substitution, the Delegate need not have regard to the Substituted Trustee's financial condition, profits or prospects or compare them with those of the Trustee;
  - (iv) the Trustee, the Substituted Trustee and DIB comply with such other requirements as the Delegate may direct in the interests of the Certificateholders; and
  - (v) such substitution would not, in the sole opinion of the Delegate, be materially prejudicial to the interests of the Certificateholders.
- (b) Subject to this Condition 12.2, the Delegate may agree to the substitution of the Substituted Trustee without obtaining the consent of the Certificateholders (it being acknowledged that each Certificateholder has by virtue of the last paragraph of the preamble to these Conditions authorised each Substituted Trustee to act as Rab-al-Maal pursuant to the Mudaraba Agreement on its behalf).
- (c) If DIB fails to comply with the foregoing provisions of this Condition 12.2 within 60 days of the occurrence of the relevant Trustee Event, Conditions 12.1 and 12.3 shall apply to the relevant Trustee Event as if it was a DIB Event.

### **12.3 Winding-up, dissolution or liquidation**

#### **(a) Proceedings for Winding-up**

If a DIB Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1, the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba Agreement, and either the Trustee or the Delegate may at its discretion, and the Delegate shall if so requested in writing by the Certificateholders holding at least 20 per cent of the aggregate face amount of the Certificates then outstanding (subject in each case to Condition 12.3(e)(i)), (i) institute any steps, actions or proceedings for the winding-up of DIB and/or (ii) prove in the winding-up of DIB and/or (iii) institute any steps, actions or proceedings for the bankruptcy of DIB and/or (iv) claim in the liquidation of DIB and/or (v) take such other steps, actions or proceedings which, under the laws of the UAE, have an analogous effect to the actions referred to in (i) to (iv) above, in each case, for (subject as set out below) all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents, provided, however, that the Trustee or the Delegate may only take such steps, actions or proceedings as described in this Condition 12.3(a), but may take no further or other steps, actions or proceedings to

enforce, prove or claim for any payment and provided further that neither the Trustee nor the Delegate may take any steps, actions or proceedings against DIB with respect to any sum that DIB has paid into the Transaction Account in accordance with the Transaction Documents in circumstances where the Trustee has failed to pay that amount to Certificateholders in accordance with these Conditions. No payment in respect of the Transaction Documents may be made by DIB as a result of any steps, actions or proceedings taken pursuant to Condition 12.1, nor will the Trustee or the Delegate accept the same, otherwise than during or after a winding-up (or analogous event) of DIB, unless DIB has given prior written notice (with a copy to the Trustee and the Delegate) to, and received no objection from, the Financial Regulator (which DIB shall confirm in writing to the Trustee and the Delegate).

(b) **Enforcement**

Without prejudice to Condition 12.1 and the remaining provisions of this Condition 12.3, the Trustee (or the Delegate) may at its discretion and the Delegate shall if so requested in writing by the Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding and without further notice (subject in each case to Condition 12.3(e)(i)) institute such steps, actions or proceedings against DIB, and the Delegate may at its discretion and without further notice institute such steps, actions or proceedings against the Trustee, as it may think fit to enforce any term or condition binding on DIB or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of DIB under or arising from the Transaction Documents, including, without limitation, payment of any principal or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations), including, without limitation, any failure by DIB to procure the substitution of the Trustee in the circumstances described in Condition 12.2. However, in no event shall DIB, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents. Nothing in this Condition 12.3 shall, however, prevent the Trustee (or the Delegate) from taking such steps, actions or proceedings as described in Condition 12.3(a) in respect of any payment obligations of DIB arising from the Mudaraba Agreement or any other Transaction Document (including any damages awarded for breach of any obligations).

(c) **Non-Viability and Solvency Conditions**

All claims by the Delegate and/or the Certificateholders against the Trustee under the Certificates and all claims by the Trustee (or the Delegate) against DIB under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Trustee and/or DIB under the Certificates or the Transaction Documents, as the case may be) shall be subject to, and shall be superseded by: (i) the provisions of Condition 11, 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 4.2(d), irrespective of whether the breach of a Solvency Condition at the relevant time or the issue of a bankruptcy order in respect of DIB occurs prior to or after the event which is the subject matter of the claim, in each case provided that nothing in these Conditions or the Transaction Documents shall affect or prejudice the payment of the actual costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

(d) **Extent of Certificateholder remedy**

No remedy against DIB, other than as referred to in this Condition 12, shall be available to the Delegate, the Trustee or the Certificateholders, whether for the recovery of amounts owing in respect of the Transaction Documents or in respect of any breach by DIB of any of its other obligations under or in respect of the Transaction Documents.

(e) **Realisation of Trust Assets**

- (i) Neither the Trustee nor the Delegate shall be bound to take any steps, actions or proceedings to enforce or to realise the Trust Assets or any of the steps, actions or proceedings referred to in these Conditions in respect of DIB or, in the case of the Delegate only, the Trustee to enforce the terms of the Transaction Documents or give a Dissolution Notice (including, without limitation, pursuant to this Condition 12), unless (A) it shall have been so requested by an Extraordinary Resolution of the Certificateholders or in writing by Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding and (B) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction provided that the Delegate shall not be liable for the consequences of exercising its discretion or taking such steps, actions or proceedings and may do so without having regard to the effect of such action on individual Certificateholders.
- (ii) No Certificateholder shall be entitled to proceed directly against the Trustee or DIB or to take the steps, actions or proceedings referred to in Conditions 12.3(a) and 12.3(b) above, unless the Delegate, having become bound so to proceed, (A) fails to do so within a reasonable period, or (B) is unable by reason of an order of a court having competent jurisdiction to do so, and such failure or inability shall be continuing, in which case the Certificateholders shall have only such rights against DIB as those which the Trustee or the Delegate is entitled to exercise as set out in this Condition 12.3.
- (iii) Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and DIB shall be to enforce their respective obligations under the Transaction Documents.
- (iv) The foregoing paragraphs in this Condition 12.3(e) are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds thereof in accordance with these Conditions and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

**13. TAXATION**

All payments in respect of the Certificates shall be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction (**Taxes**), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay, in respect of Periodic Distribution Amounts (but not, for the avoidance of doubt, in respect of Dissolution Distribution Amounts (other than any Outstanding Payments)), additional amounts (**Additional Amounts**) as shall be necessary in order that the net amounts of Periodic Distribution Amounts received by the Certificateholders after such withholding or deduction shall equal the respective amounts of Periodic Distribution Amounts due and payable to any Certificateholder which would otherwise been receivable in the absence of such withholding or deduction, except that no such Additional Amount shall be payable in relation to any payment in respect of any Certificate:

- (a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with any Relevant Jurisdiction other than the mere holding of such Certificate; or

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

In these Conditions, references to any **Periodic Distribution Amounts** (and related expressions including, without limitation, **Rab-al-Maal Mudaraba Profit**, **Rab-al-Maal Final Mudaraba Profit** and **Outstanding Payments**) shall be deemed to include any Additional Amounts payable under this Condition 13 or any undertaking given in addition to or in substitution for it under the Declaration of Trust.

Notwithstanding any other provision in these Conditions, in no event will the Trustee be required to pay any additional amounts in respect of the Certificates 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 (as amended, 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.

The Mudaraba Agreement provides that all payments made thereunder by DIB (in its capacity as the Mudareb) to the Trustee shall be made without any withholding or deduction for, or on account of, any present or future Taxes, unless such withholding or deduction is required by law. In the event there is any such withholding or deduction in relation to any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, DIB shall pay such Additional Amounts as shall result in the receipt by the Trustee of such net amounts of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, as would have been receivable by it if no such withholding or deduction had been required. To the extent that any such Additional Amounts are paid by DIB pursuant to the Mudaraba Agreement, DIB shall be entitled to recover amounts equal to such Additional Amounts from any amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by DIB (such shortfall, the **Additional Amounts Shortfall**), DIB shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Excess Liquidation Proceeds.

## 14. **PRESCRIPTION**

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts or Outstanding Payments) from the Relevant Date in respect thereof. Any amounts in respect of which claims have been prescribed under this Condition 14 shall be promptly donated by the Trustee to a registered or otherwise officially recognised charitable organisation.

## 15. **DELEGATE**

### 15.1 **Delegation of Powers**

The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (a) exercise all of the rights of the Trustee under the Mudaraba Agreement

and any of the other Transaction Documents and (b) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together, the **Delegation of the Relevant Powers**), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

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

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

## **15.2 Indemnification**

The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Condition 12, and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.

## **15.3 No Liability**

- (a) The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of DIB or the Trustee under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been paid by DIB or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.
- (b) Each of the Trustee and the Delegate is exempted from: (i) any liability in respect of any loss or theft of the Trust Assets or any cash; (ii) any obligation to insure the Trust Assets or any cash; and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depository or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of actual fraud, wilful default or gross negligence by the Trustee or the Delegate, as the case may be.

## **15.4 Reliance on Opinions, Certificates, Reports and/or Information**

The Delegate may rely on any opinion, certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or DIB or any other expert or other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such opinion, certificate, report or information may be relied upon by the Delegate (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such opinion, certificate, report, information and/or any engagement letter or other document entered into by the Delegate or any other person in connection therewith contains a monetary or other limit on the liability of the

auditors or insolvency officials of the Trustee or DIB or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such opinion, certificate, report or information may be limited by an engagement or similar letter or by the terms of the opinion, certificate, report or information itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability, delay or inconvenience that may be occasioned by its failure to do so.

### **15.5 Proper performance of duties**

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

### **15.6 Notice of Events**

The Delegate shall not be responsible for monitoring or ascertaining whether or not a Non-Payment Event, Capital Event, Tax Event, Non-Viability Event, Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing or will occur or exist and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to the Certificateholders or any other person for so doing).

## **16. REPLACEMENT OF CERTIFICATES**

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

## **17. NOTICES**

Notices to Certificateholders will be deemed to be validly given if mailed to Certificateholders by pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register. The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to listing, trading and/or quotation. Any notices shall be deemed to have been given on the day after being so mailed (or on the date of publication, or if so published more than once or on different dates, on the date of the first publication).

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



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

- 18.1** The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates then outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more Certificateholders, proxies or representatives holding or representing in aggregate more than 50 per cent. in face amount of the Certificates then outstanding, or at any adjourned such meeting one or more Certificateholders, proxies or representatives present whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, *inter alia*, (a) to modify any date for payment in respect of the Certificates, (b) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates, (c) to amend any of the Trustee's and/or DIB's covenants set out in the Transaction Documents, (d) to amend the covenant given by the Trustee and the Delegate in clause 14 of the Declaration of Trust, (e) to alter the currency of payment or the denomination of the Certificates, (f) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (g) to sanction any such substitution as is described in paragraph 5.9(i) of Schedule 4 to the Declaration of Trust, or (h) to amend the above list or the proviso to paragraph 4.6 of Schedule 4 to the Declaration of Trust, in which case the quorum shall be one or more Certificateholders, proxies or representatives holding or representing in aggregate not less than two-thirds, or at any adjourned such meeting not less than one-third, in face amount of the Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires (i) a majority in favour consisting of not less than 75 per cent. of the votes cast, (ii) a Written Resolution (as defined in the Declaration of Trust) or (iii) Electronic Consent (as defined in the Declaration of Trust). Any Extraordinary Resolution, if duly passed, will be binding on all Certificateholders, whether or not they were present at the meeting at which such resolution was passed and whether or not they voted.
- 18.2** The Declaration of Trust provides that a Written Resolution or an Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a 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 Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.
- 18.3** The Delegate may (but shall not be obliged to), without the consent of the Certificateholders: (a) agree to any modification to these Conditions or any provisions of the Transaction Documents which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (b) agree to any modification (other than in respect of a Reserved Matter) of these Conditions, the Declaration of Trust or any other Transaction Document, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or the other Transaction Documents; or (c) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of limbs (b) and (c) above that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding.
- 18.4** In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, those referred to in this Condition 18, the Delegate shall have regard to the interests of the Certificateholders as a class (but shall not have regard to any interests arising from

circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent provided in Condition 13.

**18.5** Any modification, waiver, authorisation or determination shall be binding on all of the Certificateholders and shall be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 17.

## **19. 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.

## **20. GOVERNING LAW AND DISPUTE RESOLUTION**

### **20.1 Governing Law**

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

### **20.2 Arbitration**

Subject to Condition 20.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust (including these Conditions) and the Certificates (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity of any of them or a dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the **Rules**), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 20.2. For these purposes:

- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration 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 nominate a further arbitrator who shall be the presiding arbitrator 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 the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the nomination of the second arbitrator, such arbitrator shall be appointed by the LCIA; and
- (c) the language of the arbitration shall be English.

### **20.3 Option to Litigate**

Notwithstanding Condition 20.2 above, the Delegate may in the alternative, and at its sole discretion, by notice in writing to the Trustee and DIB (as applicable):

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

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 20.5 and any arbitration commenced under Condition 20.2 in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by the Trustee, failing which DIB), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

#### **20.4 Notice to Terminate**

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

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (b) his entitlement to be paid his proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

#### **20.5 Submission to Jurisdiction**

If a notice is issued pursuant to Condition 20.3, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England or the courts of the Dubai International Financial Centre (the **DIFC**), at the option of the Delegate, shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and DIB submits to the exclusive jurisdiction of such courts;
- (b) each of the Trustee and DIB agrees that the courts of either England or the DIFC, as the case may be, at the option of the Delegate, 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 20.5 is for the benefit of the Delegate only. As a result, and notwithstanding paragraphs (a) and (b) above, the Delegate may take proceedings relating to a Dispute (the **Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

#### **20.6 Appointment of Process Agent**

Each of the Trustee and DIB has, in the Declaration of Trust, appointed Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD as its agent for service of process in England and has undertaken that, in the event of Maples and Calder ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes and notify the Delegate and the Certificateholders of such appointment in accordance with this Condition 20.6. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## **20.7 Waiver of Immunity**

Under the Declaration of Trust, DIB has agreed that, to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment, proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any Proceedings or Disputes. Further, DIB has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment, proceedings and injunctions in connection with any Proceedings or Disputes.

## **20.8 Waiver of Interest**

- (a) Each of the Trustee, DIB and the Delegate has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith and in the event that it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.
  
- (b) For the avoidance of doubt, nothing in this Condition 20.8 shall be construed as a waiver of rights in respect of Mudaraba Profit, Final Mudaraba Profit, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit, Indemnity Payment, Capital Event Profit Amount, Periodic Distribution Amounts, Outstanding Payments or profit of any kind howsoever described payable by DIB (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

## GLOBAL CERTIFICATE

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

### **Form of the Certificates**

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

The Certificates will be represented by beneficial interests in a global certificate in registered form the Global Certificate. The Global Certificate will be deposited with a common depository for Euroclear and Clearstream and will be registered in the name of a nominee for the common depository. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

### **Holders**

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

### **Cancellation**

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

### **Payments**

Payments of any amount in respect of the Certificate represented by the Global Certificate will, in the absence of any provision to the contrary, be made to, or to the order of, the person shown on the Register as the registered holder of the Global Certificate at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the due date for payment (where **Clearing System Business Day** means Monday to Friday inclusive except 25 December and 1 January). Upon payment of any amount in respect of the Certificates represented by the Global Certificate, the details of such payment shall be entered by the Registrar in the Register.

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

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

## **Notices**

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

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

## **Registration of Title**

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

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

## **Transfers**

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

## **Exchange for Definitive Certificates**

Interests in the Global Certificate will be exchangeable (free of charge to the holder), in whole but not in part, for Definitive Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 if an Exchange Event occurs. For these purposes, **Exchange Event** means that: (i) a DIB Event (as defined in the Conditions) has occurred and a Dissolution Notice has been delivered pursuant to Condition 12.1; or (ii) Certificates represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, and any such clearing system has been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no successor or alternative clearing system satisfactory to the Delegate is available. If an Exchange Event occurs, any of the Trustee, the Delegate or Euroclear and/or Clearstream, Luxembourg

(acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion and dispatch to the Certificateholders. Any exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Definitive Certificates.

In this Prospectus, **Definitive Certificate** means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust.

### **Electronic Consent and Written Resolution**

While any Global Certificate is registered in the name of any nominee for Euroclear or Clearstream, Luxembourg, then:

- (a) approval of a resolution proposed by the Trustee, DIB or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an **Electronic Consent** as defined in the Declaration of Trust) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum (as specified in the Declaration of Trust) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Declaration of Trust) has been validly passed, the Trustee, DIB and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee, DIB and/or the Delegate, as the case may be, by Accountholders in the clearing system with entitlements to such Global Certificate or, where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Trustee, DIB and/or the Delegate, as the case may be, have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting or implementation of such consent or instructions. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, **commercially reasonable evidence** includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Certificates. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular

principal or nominal amount of the Certificates is clearly identified together with the amount of such holding. None of the Trustee, DIB and/or the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.



## **USE OF PROCEEDS**

The net proceeds of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to DIB (as Mudareb) as Mudaraba Capital pursuant to the terms of the Mudaraba Agreement and will be used by DIB to enhance its tier 1 capital as well as for general corporate purposes, all in accordance with the investment plan set out in the Mudaraba Agreement.

## DESCRIPTION OF THE TRUSTEE

### General

DIB Tier 1 Sukuk (3) Ltd., a Cayman Islands exempted company with limited liability, was incorporated on 13 November 2018 under the Companies Law (2018 Revision) of the Cayman Islands with company registration number 345030. The Trustee has been established as a special purpose vehicle for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands and its telephone number is +1 345 945 7099.

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 par value each, 250 of which have been issued. All of the issued shares (the **Shares**) are fully-paid and are held by MaplesFS Limited as share trustee (the **Share Trustee**) under the terms of a share declaration of trust dated 7 January 2019 (the **Share Declaration of Trust**) under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit Qualified Charities (as defined in the Share Trust Deed). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from its holding of, the Shares.

### Business of the Trustee

The Trustee has no prior operating history or prior business other than in connection with the Certificates to be issued and will not have any substantial liabilities other than in connection with the Certificates. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 13 November 2018.

### Financial Statements

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

### Directors of the Trustee

The directors of the Trustee are as follows:

<u>Name:</u>	<u>Principal Occupation:</u>
Stacy Bodden.....	Vice President of MaplesFS Limited
John Curran .....	Assistant Vice President of Maples Fund Services (Middle East) Limited

The business address of Stacy Bodden is c/o MaplesFS Limited, PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands. The business address of John Curran is c/o Maples Fund Services (Middle East) Limited, PO Box 506734, Burj Daman, Level 14, Office 1402, Happiness Street, Dubai International Financial Centre, Dubai, United Arab Emirates.

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

## **The Trustee Administrator**

MaplesFS Limited acts as the administrator of the Trustee (in such capacity, the **Trustee Administrator**). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator has agreed to perform in the Cayman Islands or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services as published at <http://www.maplesfiduciaryservices.com/terms> (the **Registered Office Terms**). In consideration of the foregoing, the Trustee Administrator receives various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

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

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

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

The directors of the Trustee are all employees or officers of the Trustee Administrator (or an affiliate thereof). The Trustee has no employees and is not expected to have any employees in the future.

## SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the other information contained in this Prospectus. The Financial Statements have been prepared in accordance with IFRS.

The following table sets forth selected financial information for DIB as at and for the nine month period ended 30 September 2018 and as at and for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015. The income statement data and statement of financial position data have been extracted from the Financial Statements or DIB's management accounts as detailed above and have been presented in AED and, for convenience only, in United States dollars using an exchange rate of U.S.\$1 = AED 3.6725 (being the rate at which the dirham has been pegged to the U.S. dollar since November 1997).

The following tables set out selected key consolidated financial information (in both AED and U.S.\$) and consolidated business ratios of DIB as at and for the nine months ended 30 September 2018 and as at and for the three financial years ended 31 December 2017, 31 December 2016 and 31 December 2015.

<b>Income Statement Highlights</b>	<b>For the period ended 30 September</b>		<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
			<i>(AED millions)</i>		
Income from Islamic financing and investing transactions .....	6,894	5,722	7,795	6,521	5,520
Total income .....	8,532	7,510	10,199	8,636	7,546
Impairment charges, net .....	570	619	823	392	410
Depositors' and sukuk holders' share of profit .....	2,477	1,829	2,512	1,875	1,057
Profit for the year before income tax expense .....	3,731	3,321	4,528	4,072	3,855
Net profit for the year .....	3,701	3,301	4,504	4,050	3,839
Net profit attributable to equityholders .....	3,619	3,173	4,322	3,597	3,556

<b>Financial Statement Highlights</b>	<b>As at 30 September</b>	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
		<i>(AED millions)</i>		
Total assets .....	222,775	207,337	174,971	149,898
Total liabilities .....	189,446	178,456	147,701	127,104
Total equity .....	33,329	28,881	27,269	22,794
Gross financing and investing assets and investments in bilateral sukuk <sup>(1)</sup> .....	151,679	142,286	123,718	105,573
Impaired financing and investing assets .....	4,823	4,600	4,439	4,302
Non-performing investing and financing assets .....	4,997	4,861	4,768	5,289
Collateral held relating to facilities individually determined to be impaired <sup>(2)</sup> .....	2,842	3,300	4,000	4,200
Provisions for impairment <sup>(3)</sup> .....	5,885	5,733	5,559	5,048
Customer deposits .....	160,607	147,181	122,377	109,981

<b>Income Statement Highlights</b>	<b>For the year ended 30 September</b>		<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(USD millions)</i>				
Income from Islamic financing and investing transactions .....	1,877	1,558	2,123	1,776	1,503
Total income .....	2,323	2,045	2,777	2,352	2,055
Impairment charges, net .....	155	169	224	107	112
Depositors' and sukuk holders' share of profit .....	674	498	684	511	288
Profit for the year before income tax expense .....	1,016	904	1,233	1,109	1,050
Net profit for the year .....	1,008	899	1,226	1,103	1,045
Net profit attributable to equityholders .....	985	864	1,177	979	968

<b>Financial Statement Highlights</b>	<b>As at 30 September</b>	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(USD millions)</i>			
Total assets .....	60,660	56,457	47,643	40,816
Total liabilities .....	51,585	48,593	40,218	34,610
Total equity .....	9,075	7,864	7,425	6,207
Gross financing and investing assets and investments in bilateral sukuk <sup>(1)</sup> .....	41,301	38,744	33,688	28,747
Impaired financing and investing assets .....	1,313	1,253	1,209	1,171
Non-performing investing and financing assets .....	1,361	1,324	1,298	1,440
Collateral held relating to facilities individually determined to be impaired <sup>(2)</sup> .....	712	899	1,089	1,144
Provisions for impairment <sup>(3)</sup> .....	1,602	1,561	1,514	1,375
Customer deposits .....	43,702	40,077	33,323	29,947

<b>Key Business Ratios</b>	<b>As at 30 September</b>	<b>As at 31 December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(%)</i>		
Impaired ratio <sup>(6)</sup> .....	3.2	3.2	3.6
Non-performing asset ratio .....	3.3	3.4	3.9
Provision coverage ratio <sup>(4)</sup> .....	121	118	117
Overall coverage ratio <sup>(5)</sup> .....	155	157	158
Total capital adequacy ratio <sup>(7)</sup> .....	18.6	17.2	18.3
Common Equity Tier 1 ratio .....	13.3	11.5	12.0
Return on equity <sup>(8)</sup> .....	18.2	18.7	17.8
Return on assets <sup>(9)</sup> .....	2.31	2.34	2.43
Net profit margin <sup>(10)</sup> .....	3.15	3.11	3.23
Financing /customer deposits <sup>(11)</sup> .....	89	91	94
Cost to income ratio <sup>(12)</sup> .....	29.0	30.4	34.0

Notes:

(1) Includes gross financing and investing assets amounting to AED 148,481 million (September 2018), AED 139,067 million (2017), AED 120,526 million (2016) and AED 102,268 million (2015), and investments in bilateral sukuk amounting to AED

3,199 million (September 2018), AED 3,217 million (2017), AED 3,192 million (2016) and AED 3,305 million (2015). See Notes 8 and 9 to the Financial Statements.

- (2) See Note 9 to the Financial Statements.
- (3) Balance at the end of the relevant period. See Note 8 to the 2018 Interim Financial Statements, Note 9 to the Financial Statements.
- (4) Being the ratio of provision for impairment to non-performing investing and financing assets.
- (5) Being the ratio of the aggregate of provision for impairment and discounted value of collateral to non-performing investing and financing assets.
- (6) Being the ratio of impaired financing and investing assets to gross financing and investing assets, and investments in bilateral sukuk.
- (7) Calculated according to Central Bank methodology.
- (8) Being the ratio of net profit attributable to equity holders to average shareholders' equity, adjusted for estimated distribution.
- (9) Being the ratio of net profit for the group to total equity to average total assets.
- (10) Being the ratio of net funded income (gross income from financing and investing transactions less depositors and sukuk holders' share of profit) to average earning assets (aggregate of financing and investing assets, investment in Islamic sukuk, due from banks and financial institutions and international murabaha with Central Bank).
- (11) Being the ratio of net Islamic financing and investing assets to customer deposits.
- (12) Being the ratio of total operating expenses to net income.

## DESCRIPTION OF DUBAI ISLAMIC BANK PJSC

### Overview

Dubai Islamic Bank PJSC (**DIB**) is the world's first full service Islamic bank and is one of the largest Islamic banks in the world, in terms of assets. As at 30 September 2018, DIB's total assets were AED 222.8 billion. DIB was established in the Emirate of Dubai on 12 March 1975, with the objective of providing banking and other financial services tailored to adhere to the principles of Islamic *Sharia*.

The core business areas of DIB and its consolidated subsidiaries and associates (together, the **Group**) are Consumer Banking, Corporate Banking, Real Estate & Contracting Finance, Investment Banking and Treasury. The Group offers a wide range of Shari'a compliant products and services to retail, corporate and institutional clients through a network of 71 branches across the UAE. In addition to its main office and branches in Dubai, DIB operates across all the other Emirates of the UAE, namely Abu Dhabi, Ajman, Fujairah, Ras Al Khaimah, Sharjah and Umm Al Quwain.

The head office of DIB is located on Al Maktoum Street, Deira, P.O. Box 1080, Dubai, UAE and its telephone number is +971 4 295 3000. DIB is regulated by the Central Bank. DIB's licence number, as set out in its commercial license and commercial registration certificate, is 208098.

DIB has received numerous awards in recent years in recognition of its leading position within the markets in which it operates, including:

- "Best Islamic Bank", "Best Islamic Retail Bank", "Best Islamic Corporate Bank" and "Best Sukuk Arranger" – BME Industry Awards 2018.
- "Best Co-branded Credit Card", "Best Home Finance", "Corporate Deal of the Year" – Banker Middle East Product Awards 2018.
- "Best Sukuk House" – EMEA Finance Middle East Banking Awards 2017.
- "Fastest Growing Bank in the UAE" - International Finance Magazine Awards 2017.

### History

DIB was incorporated in 1975, in Dubai, by a decree issued by the then Ruler of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum. In March 2000, DIB was registered as a public joint stock company under the Commercial Companies Law No. 8 of 1984 (which was replaced with UAE Federal Law No. 2 of 2015 regarding the Law of Commercial Companies, with effect from 1 July 2015).

In 1998, following the discovery of a significant fraud, the Government of Dubai enhanced its shareholding to become DIB's largest shareholder (increasing its stake from 6 per cent. to 30 per cent.). DIB subsequently recruited a number of professional managers from international and large local financial institutions to improve its management and processes. As at 30 September 2018, the Government of Dubai's stake in DIB was 28.4 per cent. In 2001, DIB acquired a 27.3 per cent. stake in Bosna Bank, the first Shari'a compliant bank in Europe, which was established in 2000.

As part of its then current strategy to expand in select niche Islamic markets in the Middle East, Africa and Asia, DIB acquired a 60 per cent. stake in the Bank of Khartoum (**BoK**) in 2005, one of the largest banks in Sudan (measured by the number of branches and ATMs), which stake was subsequently reduced to 52.3 per cent. in 2006 and further reduced to 28.4 per cent. in 2008. As at 30 September 2018, DIB's stake in BoK stood at 29.5 per cent.

Following approval obtained in January 2005 from the Banking Regulation & Supervision Agency in Turkey, DIB established a representative office in Turkey in April 2005 to assist in marketing and promoting DIB's business in Turkey. Since its establishment, the representative office has been referring new customers and transactions to various business groups within DIB.

In 2006, DIB established DIB Pakistan Ltd (**DIB Pakistan**), a 100 per cent. owned subsidiary, to offer Islamic banking services in Pakistan.

DIB also acquired a 20.8 per cent. stake in Jordan Dubai Islamic Bank (**Jordan DIB**) in 2009. As part of an international expansion strategy focussing on key markets in the Far East, Indian Subcontinent and Central and East Africa, DIB decided to sell its entire stake in Jordan DIB in December 2016.

In addition to the above, DIB has incorporated several subsidiaries in real estate development (including, Deyaar Development P.J.S.C. (**Deyaar Development**) in 2002) and other related financial services companies and Dar Al Sharia Legal & Financial Consultancy LLC (**Dar Al Sharia**) in 2007).

In November 2010, DIB increased its stake in Tamweel to 58.3 per cent. to acquire a controlling interest in the company (see "*– Subsidiaries and Associates – Tamweel P.J.S.C. (UAE)*"). In January 2013, DIB's Board of Directors approved a proposal to make an offer (the **Tender Offer**) to the minority shareholders in Tamweel to acquire their shares in consideration of new shares (the **New Shares**) in DIB. Under the Tender Offer, DIB offered 10 New Shares for every 18 shares in Tamweel held by a Tamweel minority shareholder (see "*– Subsidiaries and Associates – Tamweel P.J.S.C. (UAE)*"). The Tender Offer was accepted by the majority of the Tamweel minority shareholders and increased DIB's shareholding in Tamweel from 58.3 per cent. to 86.5 per cent. On 1 April 2015, a further offer was announced by DIB to the minority shareholders to acquire the remaining 13.5 per cent. minority shares in Tamweel. DIB offered AED 1.25 per share to be paid in cash for each Tamweel share. 5.5 per cent. of offerees accepted this offer, and as a result DIB's shareholding in Tamweel stood at 92.0 per cent as at 30 September 2018.

In January 2013, in view of a new definition and guidance on subsidiaries, under IFRS 10, Consolidated Financial Statements, DIB's management reassessed DIB's control over its investees. As a result, DIB's management concluded that, although DIB owns less than 50 per cent. of Deyaar Development, it has *de facto* control over the company (because DIB is exposed to significant variable returns from its involvement with Deyaar Development and has the ability to affect the amounts of its returns through its power over the company). As at 30 September 2018, DIB owned 44.9 per cent. of Deyaar Development. Deyaar Development is currently accounted for as a consolidated subsidiary of DIB whereas, prior to January 2013, Deyaar Development was treated as an associate in DIB's accounts and was accounted for under an equity method of accounting.

BOK is treated as an associate in DIB's accounts whereas DIB Pakistan and Dar Al Sharia are accounted for as consolidated subsidiaries in the 2018 Interim Financial Statements.

In May 2014, DIB acquired a 24.9 per cent. stake in PT Bank Panin Dubai Syariah Tbk (**Bank Panin Syariah**) of Indonesia. In October 2015, DIB increased its shareholding to 38.3 per cent. in Bank Panin Syariah. Bank Panin Syariah is treated as an associate in the Group's financial statements as at 30 September 2018.

In October 2015, DIB obtained "Significant Shareholder Status" from the Indonesia Financial Services Authority (**OJK**) in respect of Bank Panin Syariah. Following confirmation of this status, DIB increased its stake in Bank Panin Syariah from 24.9 per cent. to 39.5 per cent. as at 31 December 2015. As at 30 September 2018, DIB's stake in Bank Panin Syariah stood at 38.3 per cent.

Bank Panin Syariah offers Islamic banking services in Indonesia. As part of its growth strategy in key strategic international markets, DIB intends to continue assisting Bank Panin Syariah in order to promote the growth of Shari'a banking in Indonesia. To achieve this, DIB will provide its well-established expertise in Islamic banking operations to Bank Panin Syariah, which will be bolstered by Bank Panin Syariah's knowledge of the local market.

Bank Panin Syariah is currently controlled by PT Bank Panin and currently operates through a network of 10 branches (with its head office located at Panin Life Center Building, Jakarta). Bank Panin Syariah is listed on the Indonesia Stock Exchange.



During 2008, DIB received AED 3.75 billion of *wakala* deposits (the **Wakala Deposits**) from the UAE Ministry of Finance as part of a wider package of measures announced by the Central Bank aimed at ensuring that sufficient liquidity was available to all banks operating in the UAE. During 2009, DIB elected to re-categorise the Wakala Deposits as Tier 2 qualifying finance, which was approved by DIB's shareholders at an extraordinary general meeting held in April 2009. DIB subsequently repaid the entire amount of the Wakala Deposits in April 2013, ahead of their scheduled maturity, using its own excess liquidity.

## **Shareholders and Capital Structure**

### ***Shareholders***

As at 30 September 2018, the Government of Dubai held 28.4 per cent. of the share capital of DIB and the Saeed Ahmed Lootah family held 6.9 per cent. DIB is not aware of any other significant holdings in its shares. DIB's articles of association provide that no single shareholder other than the Government of Dubai is entitled to own more than 10 per cent. of the share capital of DIB.

The Government of Dubai's shareholding is held through Investment Corporation of Dubai (**ICD**). The Chairman of DIB represents ICD and the other members of DIB's Board of Directors are independent of ICD. Decisions are made by voting whereby each board member, including the Chairman, has an equal vote. Some of the key corporate governance functions have been delegated to various board committees such as the Board Credit & Investment Committee, Board Audit Committee, Board Risk Management Committee and Board Remuneration Committee. The Chairman is not represented in any of these committees and each of these committees acts independently.

### **Capital Structure**

As at 31 December 2012, DIB's authorised, issued and paid up share capital was AED 3.8 billion (U.S.\$1.0 billion). During the financial year ended 31 December 2013, DIB issued 156.7 million shares at a fair value of AED 2.02 per share to the minority shareholders of Tamweel, who accepted DIB's offer of exchanging 10 New Shares for every 18 Tamweel shares. This transaction increased DIB's shareholding in Tamweel to 86.5 per cent. and the difference of AED 327.0 million between the fair value of the 156.7 million New Shares and the carrying amount of the non-controlling interest acquired is recognised in DIB's financial statements as retained earnings.

On 1 March 2016, the shareholders at the annual general meeting approved an increase in DIB's authorised share capital from AED 3.9 billion to AED 7.9 billion. Furthermore, the shareholders also approved an increase in the paid-up capital of DIB, up to a maximum amount of AED 988,437,777 through a rights issue of up to 988,437,777 shares of AED 1 each at a premium of AED 2.2 per share. In June 2016, DIB completed the process of allocation of these shares and the shares were subsequently listed on the Dubai Financial Market (**DFM**) after obtaining all required regulatory approvals on 8 July 2016. As a result of this issuance, DIB's paid up share capital increased to AED 4.9 billion (U.S.\$1.3 billion).

On 21 February 2018, the shareholders at the annual general meeting approved an increase in the paid-up capital of DIB, up to a maximum amount of AED 1,647,396,295 through a rights issue of up to 1,647,396,295 shares of AED 1 each at a premium of AED 2.11 per share. In June 2018, DIB completed the process of allocation of these shares and the shares were subsequently listed on the DFM after obtaining all required regulatory approvals on 14 June 2018. As a result of this issuance, DIB's paid-up share capital increased to AED 6.6 billion (U.S.\$1.8 billion) and remains unchanged as at 30 September 2018. DIB's shares have been listed on the DFM since March 2000.

Pursuant to DIB's articles of association, non-UAE nationals can own, in aggregate, up to a maximum of 25 per cent. of the total share capital of DIB and this threshold can be increased from time to time upon approval by DIB's Board of Directors and a resolution by the competent authorities in the UAE.

See "– *Capital Adequacy*" below for a description of DIB's capital adequacy ratios as at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015.

## Tier 1 issuances

DIB has issued Tier 1 sukuk through Shari'a compliant structures as set out in the table below.

<b>SPV (the Issuer)</b>	<b>Date of issuance</b>	<b>Issuance amount Equivalent AED '000</b>	<b>Discretionary profit rate</b>	<b>Callable period</b>
<b>DIB Tier 1 Sukuk Limited .....</b>	20 March 2013	3,673,000 (US\$ 1 billion)	6.25% per annum to be paid semi-annually	On or after March 2019
<b>DIB Tier 1 Sukuk (2) Limited ....</b>	20 January 2015	3,673,000 (US\$ 1 billion)	6.75% per annum to be paid semi-annually	On or after January 2021

The Tier 1 sukuk are perpetual securities in respect of which there are no fixed redemption dates and which constitute direct, unsecured, subordinated and conditional payment obligations (senior only to share capital) of DIB, subject to the terms and conditions of the relevant mudaraba agreement. In the case of each issuance, at the relevant issuer's sole discretion, it may elect not to make any mudaraba profit distributions and the event is not considered a dissolution event. In such event, the mudaraba profit will not be accumulated but forfeited to the relevant issuer. Each Tier 1 sukuk issuance is listed on the Main Securities Market of the Irish Stock Exchange. In addition, the sukuk issuance of DIB Tier 1 Sukuk (2) Limited is also listed on Nasdaq Dubai.

The net proceeds of the Tier 1 sukuk are invested by way of mudaraba with DIB (as mudareb), on an unrestricted co-mingling basis, in DIB's general business activities carried out through its general mudaraba pool.

## Overall Performance

### Overview

DIB reported net profits of AED 3,701 million (U.S.\$1,008 million) for the nine month period ended 30 September 2018, as compared to AED 3,301 million (U.S.\$ 899 million) for the nine month period ended 30 September 2017.

DIB's net funded income rose by 13 per cent. to AED 4,417 million (U.S.\$1,203 million) for the nine month period ended 30 September 2018 from AED 3,893 million (U.S.\$1,060 million) for the nine month period ended 30 September 2017. The major drivers of these increases were (i) the increase in the net Islamic financing and investing portfolio from AED 131.284 billion (U.S.\$35.748 billion) as at 30 September 2017 to AED 142.596 billion (U.S.\$38.82 billion) as at 30 September 2018 and the sukuk portfolio increasing from AED 25.170 billion (U.S.\$6.854 billion) as at 30 September 2017 to AED 30.466 billion (U.S.\$8.3 billion) as at 30 September 2018. However, net funded margin for the nine month period ended 30 September 2018 was 3.15 per cent. compared with 3.13 per cent. as at 30 September 2017.

DIB's non-funded income decreased by 8 per cent. to AED 1,638 million (U.S.\$446 million) for the nine month period ended 30 September 2018 from AED 1,788 million (U.S.\$487 million) for the nine month period ended 30 September 2017. Operating income (comprising the aggregate of net funded income and non-funded income) was AED 6,055 million (U.S.\$1,649 million) and operating costs (comprising personnel expenses, general and administrative expenses and depreciation of investment properties) were AED 1,754 million (U.S.\$478 million) for the nine month period ended 30 September 2018, as compared to operating income of AED 5,681 million (U.S.\$1,547 million) and operating costs of AED 1,741 million (U.S.\$ 474 million) for the nine month period ended 30 September 2017. DIB's return on shareholders' funds was 18.2 per cent. and its operating cost to operating income ratio was at 29 per cent. for the nine month period ended 30 September 2018 compared to 18.6 per cent. and 30.7 per cent., respectively, for the nine month period ended 30 September 2017. The decrease in return on shareholders' funds is due to an increase in average shareholder equity resulting from the rights issue completed in June 2018 and an internal generation of

capital. Effective cost controls kept operating expenses almost flat allowing for further improvement in the cost to income ratio which, as at 30 September 2018, was at 29 per cent.

For the purposes of the analysis set out above, **net funded income** is calculated as the aggregate of the following line items in DIB's consolidated income statement: (i) income from Islamic financing and investing transactions; (ii) income from investments in Islamic Sukuk and (iii) income from short-term international *murabahats* and *wakala* (line items (i), (ii) and (iii) together, **total funded income**) less depositors' and Sukukholders' share of profits, and **non-funded income** is calculated by deducting net funded income from the net income line item set out in DIB's consolidated income statement.

The following tables show the breakdown, by the segments indicated, of DIB's total net profit before income tax expense for the nine month periods ended 30 September 2018 and 30 September 2017 and for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015:

	30 September				31 December					
	2018		2017		2017		2016		2015	
	(AED millions)	%	(AED million s)	%	(AED millions)	%	(AED millions)	%	(AED million s)	%
<b>Segmental Information</b>										
Consumer banking.....	755	20	681	21	1,033	23	906	22	1,143	30
Corporate banking .....	2,156	58	1,686	51	2,130	47	1,579	39	1,417	37
Real Estate Development.....	126	3	100	3	130	3	214	5	302	8
Treasury.....	464	13	626	19	956	21	680	17	640	16
Others .....	230	6	228	6	279	6	693	17	353	9
<b>Total net profit before income tax expense .....</b>	<b>3,731</b>	<b>100</b>	<b>3,321</b>	<b>100</b>	<b>4,528</b>	<b>100</b>	<b>4,072</b>	<b>100</b>	<b>3,855</b>	<b>100</b>

The following table sets out a breakdown of DIB's gross Islamic financing and investing assets by product type as at 30 September 2018:

	Retail		Non-Retail		Consolidated	
	(AED millions)	%	(AED millions)	%	(AED millions)	%
<b>Financing Assets</b>						
Commodities murabahat.....	1,067	3	3,098	3	4,165	3
International murabahat (long term) .....	-	-	26,661	25	26,661	18
Vehicles murabahat .....	9,353	23	-	-	9,353	6
Real estate murabahat .....	531	1	577	1	1,108	1
<b>Total murabahat .....</b>	<b>10,951</b>	<b>27</b>	<b>30,336</b>	<b>28</b>	<b>41,287</b>	<b>28</b>
Istisna'a .....	219	1	1,025	1	1,244	1
Ijara.....	6	-	48,846	45	48,852	33
Home finance – Ijara .....	12,963	32	181	-	13,144	9
Islamic credit cards .....	1,165	3	-	-	1,165	1
Personal finance.....	17,651	44	13	-	17,664	12
Less: Deferred Income.....	(2,480)	(6)	(1,527)	(1)	(4,007)	(3)
Less: Contractors and consultants' istisna contracts.....	-	-	(15)	-	(15)	0
<b>Total .....</b>	<b>40,475</b>	<b>100</b>	<b>78,859</b>	<b>73</b>	<b>119,334</b>	<b>80</b>
<b>Investing Assets</b>						
Musharakat .....	-	-	7,420	7	7,420	5
Mudaraba.....	29	-	12,764	12	12,793	9
Wakalat.....	-	-	8,934	8	8,934	6
<b>Total.....</b>	<b>29</b>	<b>-</b>	<b>29,118</b>	<b>27</b>	<b>29,147</b>	<b>20</b>
<b>Total .....</b>	<b>40,504</b>	<b>100</b>	<b>107,977</b>	<b>100</b>	<b>148,481</b>	<b>100</b>

For further information, see "– Business activities" below.

DIB's total portfolio of Islamic financing and investing assets (net of provisions) was AED 142,596 million (U.S.\$38,828 million) as at 30 September 2018, an increase of 6.9 per cent. from AED 133,334 million (U.S.\$36,306 million) as at 31 December 2017 (and AED 114,968 million (U.S.\$31,305 million) as at 31 December 2016). The distribution of DIB's total portfolio of Islamic financing assets across economic sectors is oriented towards government, trade, financial institutions, services, construction, real estate and consumer banking, which is in line with the domestic economy.

A description of the concentrations in DIB's Islamic financing and investing assets portfolio is set out below under "– Risk Management – Portfolio Concentrations".

As at 30 September 2018, 6 per cent. of DIB's gross Islamic financing and investing assets portfolio was located outside the UAE. DIB has implemented risk management methods to mitigate and control the risks associated with this portfolio and other market risks to which DIB is exposed (see "– Risk Management" below).

DIB maintains a *sukuk* portfolio of high credit quality. DIB's policy is to maintain exposures rated "BBB" and above (or the equivalent). The securities portfolios are concentrated in the GCC and MENA markets (see further Note 9 to the 2018 Interim Financial Statements and Note 10 to the 2017 Financial Statements incorporated by reference in this Prospectus) and, in particular, 48 per cent. of the securities portfolios was concentrated in the UAE as at 30 September 2018.

The following table provides a breakdown of DIB's investment portfolio as at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015, respectively:

	As at 30 September		As at 31 December					
	2018		2017		2016		2015	
	(AED millions)	%	(AED millions)	%	(AED millions)	%	(AED millions)	%
<b>Investments in Sukuk</b>								
Amortised cost.....	30,466	100	24,023	100	23,409	100	20,066	100
	<b>30,466</b>	<b>100</b>	<b>24,023</b>	<b>100</b>	<b>23,409</b>	<b>100</b>	<b>20,066</b>	<b>100</b>
<b>Other Equity Investments</b>								
Investments carried at FVTPL <sup>(1)</sup> .....	5	-	2	-	3	—	—	—
Investments carried at FVTOCI <sup>(2)</sup> .....	1,738	100	1,959	100	1,714	100	1,831	100
	<b>1,743</b>	<b>100</b>	<b>1,962</b>	<b>100</b>	<b>1,717</b>	<b>100</b>	<b>1,831</b>	<b>100</b>

Notes:

- (1) Fair value through profit and loss.
- (2) Fair value through other comprehensive income.

### Capital Adequacy

DIB calculates its capital adequacy ratio in accordance with capital adequacy guidelines established by the Basel Committee and adopted by the Central Bank (see further "The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Capital Adequacy").

As at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015, respectively, these ratios were as follows:

	<b>As at 30 September</b>		<b>As at 31 December</b>		
	<b>2018</b>		<b>2017</b>	<b>2016</b>	<b>2015</b>
<i>(AED millions, except percentages)</i>					
Capital adequacy in accordance with Basel III (Basel II as at 31 December 2016 and 31 December 2015)					
Capital base .....	32,690		27,787	25,614	19,451
<b>Risk weighted assets</b>					
Credit risk .....	161,526		148,075	129,748	112,931
Market risk.....	1,421		1,960	1,057	1,656
Operational risk .....	12,819		11,935	10,590	8,975
<b>Risk weighted assets .....</b>	<b>175,766</b>		<b>161,969</b>	<b>141,395</b>	<b>123,562</b>
<b>Risk asset ratio .....</b>	18.6%		17.2%	18.1%	15.7%
Tier 1 Ratio.....	17.2%		16.0%	17.8%	15.5%
Capital adequacy ratio .....	18.6%		17.2%	18.1%	15.7%
Common equity tier 1 ratio.....	13.3%		11.5%	12.0%	9.6%

See further "– Capital Adequacy" below.

## Funding

DIB's bank and customer deposits together totalled AED 169,896 million (U.S.\$46,262 million), AED162,059 million (U.S.\$44,128 million), AED 132,795 million (U.S.\$36,159 million) and AED 114,694 million (U.S.\$31,230 million) as at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015, respectively. Customer deposits amounted to AED 160,607 million (U.S.\$43,732 million), AED 147,181 million (U.S.\$40,076 million), AED 122,377 million (U.S.\$33,323 million) and AED 109,981 million (U.S.\$29,947 million) as at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015, respectively, and represented 94.5 per cent., 90.8 per cent., 92.2 per cent. and 95.9 per cent. respectively, of total bank and customer deposits as at those dates.

The following table shows the sources of DIB's funding as at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015, respectively:

	<b>As at 30 September</b>		<b>As at 31 December</b>					
	<b>2018</b>		<b>2017</b>		<b>2016</b>		<b>2015</b>	
	<i>(AED millions)</i>	%	<i>(AED millions)</i>	%	<i>(AED millions)</i>	%	<i>(AED millions)</i>	%
Customer deposits.....	160,607	72	147,181	71	122,377	69.9	109,981	73.4
Due to banks and financial institutions...	9,289	4	14,878	7	10,418	6.0	4,713	3.1
Sukuk financing instruments .....	12,300	6	8,659	4	7,695	4.4	5,602	3.7
Payables and other liabilities .....	7,251	3	7,459	4	6,969	4.0	6,590	4.4
Zakat payable.....	-	-	280	-	243	0.1	218	0.1
Equity .....	33,329	15	28,881	14	27,269	15.6	22,794	15.2
<b>Total funding.....</b>	<b>222,775</b>	<b>100</b>	<b>207,337</b>	<b>100</b>	<b>174,971</b>	<b>100</b>	<b>149,898</b>	<b>100</b>

See further "Risk Management – Liquidity risk and funding management" below.

## Strategy

DIB's primary objective is to maintain its position as the leading Islamic financial institution in the region as well as in other selected strategic markets. DIB defines its strategic objectives within a two - three year

rolling period, which allows it to refine its long-term strategy and develop short-term specific strategic and business goals.

During the early 2000s, DIB had expanded its strategy from being primarily a retail bank into providing Shari'a compliant solutions to major local and international companies as well. This was also a period wherein the bank saw a qualitative jump in the services being offered as a result of upgrading its computer systems and introduction of internet services. The mid-2000s saw the bank venturing into new international markets such as Pakistan, Sudan and launching of the *Sharia* consultancy firm (Dar Al Sharia) and the DIB Foundation. When the global crisis began, the bank decided to focus growth within the retail sector and began to run-off its corporate real estate finance portfolio in order to attempt to protect itself from the downturn in the UAE real estate sector. During this decade, the bank saw its total assets increase from AED 11.7 billion (U.S.\$3.2 billion) in 2000 to AED 90.1 billion (U.S.\$24.5 billion) by the end of 2010.

Following a consolidation exercise between 2009 and 2013 and the appointment of a new chief executive officer (**CEO**) in mid-2013, who previously served as Deputy CEO, DIB embarked on a new "growth" strategy from 2014 to 2018, which aimed at redefining the way DIB operates its business, positioning the bank as a global leader in the world of Islamic finance. DIB's plan includes the following initiatives and goals:

- DIB's principal theme from 2019 onwards is to continue its growth strategy through the "CARE" ideology, which stands for 'customer experience, acquisition, retention and engagement'. In addition, DIB is focused on playing a part in promoting the Islamic finance sector as well as the growth agenda of Dubai and the UAE.
- The focus is to have sustainable profitability in the coming years through leveraging the DIB franchise within the UAE and the key strategic international markets. Growth of the business will also be supported by:
  - digital transformation and adopting the CARE ideology;
  - maintaining cost discipline and better profitability; and
  - quality credit growth.
- Further, DIB intends to expand its geographic footprint through acquisitions, establishing subsidiaries and branches, pursuing strategic partnerships and/or co-operation agreements with local partners in Asia, Africa and the Gulf.

DIB's strategy is continually monitored and reviewed by its management and is formally approved by DIB's Board of Directors. The Balance Scorecard (**BSC**) approach is used to integrate the strategic plans into individual and departmental goals, and helps DIB manage and monitor its performance.

The BSC enables DIB to identify goals, manage and measure performance, and report on achievements with respect to the priorities of each key stakeholder group. DIB implements quantitative measures wherever feasible, but tracks both qualitative and quantitative indicators of performance in terms of both financial and non-financial outcomes. The BSC framework forms an integral part of DIB's performance management system.

### **Competition and Competitive Advantages**

DIB faces competition from both Islamic and conventional banks operating in the UAE. Within its investment banking and capital market activities, DIB also competes with major international banks and investment firms for transaction mandates.

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

### ***Strong and trusted brand***

DIB believes that it has a strong and trusted brand. Management believes that DIB's market position and strong brand recognition reflect DIB's focus on high-quality customer service (see below), its established track record in both consumer and wholesale banking, its targeted marketing to consumers and its involvement in a number of the UAE's most prominent infrastructure and other development projects. In 2016, the bank revealed its new identity built around its vision as a progressive and innovative player and the modern face of Islamic banking and finance.

### ***Established track record and knowhow***

As the first Islamic bank in the UAE, DIB has a proven track record in developing and offering Islamic finance products to meet the increasingly sophisticated needs of its customers.

### ***Innovative and extensive product range***

DIB endeavours to provide its customers with a wide range of innovative products, which allows it to meet their diversified and sophisticated needs. DIB believes that it is able to offer its customer base all of the banking products that they may require and, accordingly, that there is little need for them to approach DIB's competitors for alternative products.

### ***Shari'a compliance credibility***

DIB maintains a highly reputed Fatwa and Sharia Supervisory Board (the **Sharia Board**). DIB aims for high levels of Shari'a compliance by offering all its products and services in strict conformity with the parameters approved by the Sharia Board. This helps to ensure that DIB's reputation as a premier Islamic bank is maintained at all times.

### ***Stable funding base***

DIB has a diversified deposit base that includes retail and corporate customers, government bodies and public sector agencies which, taken together, are regarded by DIB as a relatively stable and a low cost source of funding.

### ***Strong financial performance***

DIB has consistently benefitted from strong financial performance and robust financial metrics (see "*Selected Financial Information*" for further information).

### ***Quality of service and speed of response time***

DIB believes that the high quality of customer service which it provides distinguishes it from its principal competitors. Employees are trained regularly in managing clients, new products and market developments so as to provide a better service to clients and to enable new products and services to be introduced to the market. Furthermore, DIB continues to make further enhancements to its systems and platforms in order to provide clients with a more seamless experience.

### ***Experienced and committed management***

The majority of DIB's senior management team have been with the bank for several years and, prior to joining DIB have had many years of regional and global experience with other leading international banks. The team has considerable experience in the Islamic finance industry and knowledge of the requirements relating to the operation of Islamic finance institutions, see "*Management and Employees*" below.

### ***Strength in staff training***

DIB provides regular and comprehensive training to staff at all levels to enable them to improve their skills. This is done through a dedicated training division within DIB. DIB regularly sends its staff on courses, conferences and workshops on Islamic banking products to ensure that they are well informed about international and regional developments.

### ***Systematic approach to developing strategy***

DIB adopts a systematic approach in developing its strategy through comprehensive analyses of the domestic and international macroeconomic and business environments and aligning its strategy with any major trends identified. This formalised approach is then used to link the overall strategic plan and agenda to the BSC performance management system (which is the primary tool used to measure individual and departmental performance) and thus to ensure that DIB meets its short-, medium- and long-term strategic objectives.

### ***Links with the Government of Dubai***

DIB has a good relationship with the Government of Dubai which enables it to be at the forefront of the ongoing financing of the development of Dubai, see "– *Shareholders and Capital Structure*" above.

### ***Links with the community***

DIB has always maintained strong links with the local community and intends to continue to promote the development of society in the UAE. It sees this as an important feature in enhancing its position as a premier Islamic bank. For example, it has been active in promoting "Emiratisation", the process of employing and nurturing UAE nationals with a view to encouraging them to participate in and improve the economy of the UAE.

### ***Business activities***

The principal activities of the Group are focused around five core business areas: (i) Consumer Banking; (ii) Corporate Banking; (iii) Real Estate & Contracting Finance; (iv) Investment Banking; and (v) Treasury.

For accounting purposes, DIB divides its business into the following primary reporting segments: (a) consumer banking (which reflects the Consumer Banking and Home Finance business lines); (b) corporate banking (which reflects the Corporate Banking, Institutional and Contracting Finance business lines); (c) real estate development (which reflects real estate investment by subsidiaries); (d) treasury (which reflects the Treasury-related business line); and (e) others (comprising DIB's investments, certain investment banking activities and un-allocated internal assets and liabilities of DIB which are not related to those of its external customers).

The following table sets out a breakdown of certain income and profit information for each of DIB's primary reporting segments for the nine month periods ended 30 September 2018 and 30 September 2017 along with the two years ended 31 December 2017 and 31 December 2016, respectively:

	<b>Consumer Banking</b>				<b>Corporate Banking</b>			
	<b>30 September</b>		<b>31 December</b>		<b>30 September</b>		<b>31 December</b>	
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<i>(AED millions)</i>							
Net operating revenue.....	2,541	2,435	3,320	3,329	2,366	1,868	2,562	1,964
Operating expenses.....	(1,048)	(1,068)	(1,422)	(1,463)	(271)	(270)	(358)	(366)
Net operating income .....	1,493	1,368	1,898	1,866	2,095	1,598	2,204	1,598
Impairment (loss)/reversal for the year.....	(737)	(686)	(865)	(960)	61	88	(73)	(19)
Net profit for the year before income tax expenses .....	755	681	1,033	906	2,156	1,686	2,130	1,579



	Real Estate Development				Treasury			
	30 September		31 December		30 September		31 December	
	2018	2017	2017	2016	2018	2017	2017	2016
	<i>(AED millions)</i>							
Net operating revenue.....	217	216	285	350	502	668	873	719
Operating expenses.....	(118)	(116)	(155)	(136)	(43)	(31)	(42)	(39)
Net operating income .....	99	100	130	214	459	637	831	680
Impairment (loss)/reversal for the year.....	27	-	-	-	5	(11)	125	-
Net profit for the year before income tax expenses .....	126	100	130	214	464	626	955	680

	Others				Total			
	30 September		31 December		30 September		31 December	
	2018	2017	2017	2016	2018	2017	2017	2016
	<i>(AED millions)</i>							
Net operating revenue.....	428	493	648	391	6,055	5,681	7,687	6,761
Operating expenses.....	(273)	(256)	(358)	(292)	(1,754)	(1,741)	(2,336)	(2,297)
Net operating income .....	155	237	290	99	4,301	3,940	5,351	4,464
Impairment (loss)/reversal for the year.....	75	(9)	(11)	587	(570)	(619)	(823)	(392)
Net profit for the year before income tax expenses .....	230	228	279	686	3,731	3,321	4,528	4,072
Income tax expense .....					(30)	(20)	(24)	(22)
Net profit for the year .....					3,701	3,301	4,504	4,050

The following table sets out a breakdown of DIB's segment assets, liabilities and capital expenditure (principally relating to expenditure on information technology and opening new, and refurbishing existing, branches) for each of its primary reporting segments as at 30 September 2018, 31 December 2017 and 31 December 2016, respectively:

	Consumer Banking				Corporate Banking			
	30 September		31 December		30 September		31 December	
	2018	2017	2017	2016	2018	2017	2017	2016
	<i>(AED millions)</i>				<i>(AED millions)</i>			
Segment assets.....	36,301	39,929	37,175	39,207	100,681	91,283	91,693	75,714
Segment liabilities .....	67,450	66,682	64,472	60,323	89,112	80,172	80,257	65,146

	Real Estate Development				Treasury			
	30 September		31 December		30 September		31 December	
	2018	2017	2017	2016	2018	2017	2017	2016
	<i>(AED millions)</i>				<i>(AED millions)</i>			
Segment assets.....	5,704	5,997	6,276	5,602	31,741	32,251	25,041	30,044
Segment liabilities .....	1,170	1,083	1,216	1,024	1,099	23,295	576	19,064

	Other				Total			
	30 September		31 December		30 September		31 December	
	2018	2017	2017	2016	2018	2017	2017	2016
	(AED millions)				(AED millions)			
Segment assets.....	48,347	31,702	47,153	24,404	222,775	201,162	207,337	174,971
Segment liabilities .....	30,614	1,987	31,935	2,144	189,446	173,218	178,456	147,701

Set out below is an overview of the key business activities of the Group.

### **Consumer Banking**

DIB's Consumer Banking Group (the **Consumer Banking Group**) is the largest business segment within the Group. DIB offers its retail and business banking services through a network of 71 branches spread across all of the Emirates, more than 561 automated teller machines (ATMs) and 154 cash deposit machines (CDMs) across the UAE (each as at the date of this Prospectus) as well as through internet and telephone banking services (including mobile banking). DIB offers customers a broad range of retail products and services under its "Al Islami" brand, including:

- *Auto finance*

DIB's auto finance product finances vehicle purchasing for individuals and businesses in a Shari'a compliant manner. DIB has established itself as one of the leading providers of auto financing in the UAE.

- *Shari'a compliant cards*

In pursuit of its strategy of growth through key strategic alliances, DIB has continued to expand its product offerings through the expansion of its Shari'a compliant cards product portfolio.

In June 2016, in partnership with the Dubai Department of Economic Development, DIB launched the "Consumer Card", which allows customers to earn cashback on expenditure on certain "daily use" categories including supermarkets, utilities, fuel etc. The product enables customers to make savings on their daily spending.

In July 2018, DIB launched co-branded credit cards with Emirates. This partnership allows customers to earn Skywards reward points from Emirates on their card usage and redeem the points for services from Emirates, including, travel insurance, Emirates silver status and lounge access.

- *Personal finance*

DIB's personal finance product was launched in December 2005 to cater to the personal financing needs of individuals, and was originally provided in the form of *murabaha* and *ijara* products to cater to all personal financing needs of customers. In 2010, DIB launched *Al Islami Salam*, which provides customers with an upfront cash payment. The *Al Islami Salam* product is based on a fixed price sale contract whereby the customer gets the full price as a cash payment upfront and delivers the relevant goods on a deferred basis.

- *Retail home finance*

Retail home finance comprises freehold and non-freehold residential mortgages by DIB and its subsidiary, Tamweel (though since the acquisition of the majority stake in Tamweel, its operations have been integrated with DIB and all new mortgages originated are booked within DIB). DIB is one of the leading providers of retail home finance in the UAE.

- *SME Business Solutions*

In December 2012, DIB launched its "SME Business Solutions" suite of Shari'a compliant products and services specifically developed to support the growth of small and medium sized enterprises. The solutions offered are based on a combination of *Murabaha* and *Salam*-based structures.

- *Investment funds*

DIB offers a range of Shari'a compliant investment products to suit its clients' investing needs across various asset classes, including cash, commodities, fixed income securities and equities. Along with structures developed in-house, DIB has also partnered with leading investment houses to provide a range of investment choices with varied currencies and maturities, exposures to different markets and capital protection options.

- *IPO/capital markets subscription services*

DIB offers subscription services on selected IPOs. DIB provides this service to companies approved for investment in accordance with *Sharia* law.

- *Wajaha*

Wealth management services are provided through four exclusive Wajaha centres in Abu Dhabi, Al Ain, Dubai and Sharjah. These branches offer personal relationship managers, financial planning services and tailor-made products, as well as offering a number of other benefits which are exclusive to DIB's Wajaha clients, such as international concierge services, travel insurance, ticket exchange and travel desk and cash services.

- *Private banking – Ayaan – exclusive banking*

Private banking, "Ayaan", targets high net worth customers, catering to their specific investment and financial needs.

- *Additional Retail Segments*

Following an extensive customer relationship management exercise, the Consumer Banking Group identified key additional business segments (broadly based on customer deposits) named *Mumayaz* (effectively the upper mass segment), the mass segment and the lower mass segment. Specific offerings have been developed to cater to these segments leading to previously untapped profitability opportunities.

### ***Other Delivery Channels***

In addition to its 71 branches in the UAE, DIB has expanded into self-service electronic delivery channels by offering services such as internet banking, telephone banking and e-branches:

- *Internet and Phone banking*

DIB offers online and mobile telephone banking facilities, giving customers greater flexibility to deal with their accounts by offering a range of account enquiry and payment services. During April 2012, DIB introduced an Arabic online interface to its internet banking service in order to allow all of its online transactions to be conducted in the Arabic language. In August 2013, DIB launched the *Al Islami* Business Mobile Banking offering exclusively for its business customers. All customers enrolled for *Al Islami* Business Online will be able to carry out transactions through their mobile phone such as viewing statements and making transfers and payments. In 2018, both the online and mobile telephone banking offerings were significantly upgraded to provide customers with additional services and greater ease of use.

- *e-branches*

In DIB's virtual branches, customers can utilise banking services such as ATMs, CDMs and instant cheque machines, and an "internet kiosk" for secure online banking and phone banking which connects them to customer service agents. In addition, customers can make requests for manager cheques, demand drafts, SWIFT transfers, the issue of new cheque books, the re-issue of ATM cards, e-statement registrations, SMS banking registrations and applications for pre-designated fund transfers. DIB's e-branches also offer instant approvals for auto finance, personal finance and credit cards.

For a description of DIB's gross retail Islamic financing and investing assets by product type as at 30 September 2018, see "– Overall Performance" above.

### **Corporate Banking**

DIB offers a range of Shari'a compliant solutions to its corporate clients in the UAE, the GCC and in other niche markets. Corporate Banking comprises the following teams (which are organised on both a geographical and product-specific basis):

- private sector (Dubai, Jebel Ali and Northern Emirates), which supports DIB's corporate clients based in and around Dubai and the Northern Emirates;
- public sector (Dubai region and Northern Emirates), which supports DIB's public sector clients based in and around Dubai and the Northern Emirates;
- DCM and Syndication & Cross Border unit, which principally deals with all of DIB's cross-border activities relating to project finance, syndicated lending, structured trade finance and inventory financing. This unit provides plain vanilla financing, including bilateral facilities, to GCC sovereigns, quasi-sovereigns and private sector companies located outside the UAE. This unit also provides a range of debt capital market products to GCC customers (excluding the UAE), including syndications, straight and convertible Sukuk products;
- Corporate Banking unit (Abu Dhabi), which supports and manages business from clients based in Abu Dhabi as well as adjoining areas and cities in the southern and eastern region (including Al Ain); and
- Transaction Banking, which provides specialist product advice (through the Ahlan Banking Service) to cater for clients' daily banking needs and handles customer queries, auto faxing and electronic reporting. Internet banking solutions for cash management and trade finance are also available on the Al Islamic connect platform.

DIB believes that the strengths of Corporate Banking are:

- its in-depth specialisation within the UAE and GCC sectors;
- its deep understanding of its customers' businesses;
- the comprehensive and innovative range of services and strategic, solution-driven capabilities offered to its corporate clients (see below); and
- innovative financial solutions covering corporate finance, investment banking, capital markets and syndications products, project finance, trade and commodity finance, treasury and corporate banking, international banking services and securities.

DIB has designed and implemented a range of modern, Islamic financing instruments which are intended to meet the needs of its corporate clients. The products offered by Corporate Banking include goods financing and specific Islamic financing products such as *Ijara* financing, *Mudaraba* financing and *Wakala/Wakala*

*Murabaha* financing to cater to its clients' trade, working capital and medium to long-term financing requirements. The categories of products and services offered by Corporate Banking are:

- Financial Products and Solutions, which include *Murabaha*, *Mudaraba* and *Musharaka* products tailored to the needs of DIB's wholesale banking customers;
- Trade Finance Services, which provides an extensive range of trade-related services covering sectors such as manufacturing, services, construction, retail and transportation; and
- Transaction Banking Solutions, covering:
  - liabilities and deposits management;
  - trade finance;
  - cash management products and services (including services in relation to payments, collections, escrow collections, account management and liquidity and receivables management); and
  - an internet based platform for corporate clients (which allows them to perform online account management, make electronic payments and receive trade reports).

For a description of DIB's gross non-retail Islamic financing and investing assets by product type as at 30 September 2018, see "– Overall Performance" above.

Corporate Banking manages various relationships (including middle market, contracting finance and real estate finance companies) and is instrumental in leveraging its client relationships to cross-sell other products offered by DIB, including investment banking and treasury services.

## **Real Estate & Contracting Finance**

### ***Real Estate Finance***

Historically, DIB has been one of the leading providers of real estate finance services in the UAE. DIB played a significant role in supporting corporate real estate developments, including the construction of commercial property and residential estates. The Real Estate Finance Group is managed by a specialist team with extensive experience in this field.

Standard Islamic financing products offered include *Istisna* financing, *Murabaha* acquisition finance, diminishing *Musharaka* and *Ijara* lease financing.

### ***Contracting Finance***

The Contracting Finance Group provides financing to contractors executing building, electrical and mechanical infrastructure works across a range of sectors (including the oil, gas, power and water sectors). The Contracting Finance Group's customer base includes well known local, regional and international construction groups, and has supported its customers in executing many prestigious projects within the UAE, regionally in the GCC and in many other Arab countries.

The product range offered by the Constructing Finance Group includes Islamic financing products such as *Mudaraba*, *Murabaha*, *Ijara*, letters of guarantee and letters of credit (LCs). DIB believes that its large underwriting capability and its close association with other local and international banks allows it to support the majority of its clients' projects.

## **Investment Banking**

The Investment Banking business group is primarily responsible for management of DIB's proprietary investment portfolios, strategic stakes and international operations and expansion. The Investment Banking

business group is also responsible for identifying and conducting due diligence on, new expansion opportunities and presenting proposals to DIB's Board of Directors and management.

The Investment Banking team comprises professionals with previous experience from international financial institutions.

## **Treasury**

The Treasury Group forms an essential part of DIB's commitment to the Islamic-compliant investment banking industry. The Treasury Group offers a comprehensive range of products backed by DIB's expert understanding of local and international markets. The Treasury Group works closely with Corporate Banking and the Consumer Banking Group and also engages in Islamic derivatives business. Its principal customers are DIB's corporate customers, financial institutions, high net worth individuals, SME companies and similar businesses. The products offered to such customers include: plain vanilla currency contracts, flexible delivery currency contracts, profit-enhanced products, multi-currency hedging instruments and other bespoke Islamic-compliant financial solutions.

Treasury also includes FIs who primarily focuses on building and maintaining relationships with the FI sector across the globe in order to assist with smooth trade inflows and outflows. Relations range from authenticated communication links by way of SWIFT RMA to trade, treasury and account maintenance in different currencies. DIB's network of correspondent banks comprises leading financial institutions which provide trade services, which are intended to add value and service to DIB's branches and business units. DIB's correspondent banks offer one or more of the following services: remittance and payments, advisory and confirmations

The Treasury Group is responsible for managing DIB's liquidity requirements, sukuk investment portfolio and funding through the capital markets, and acts under the supervision of the Asset and Liability Management Committee (**ALCO**). Asset and liability management is conducted by the Treasury Group in accordance with Central Bank liquidity ratios. The Treasury Group is also responsible for the implementation of risk management initiatives as directed by ALCO as explained further under "*Risk Management*".

## **Subsidiaries and Associates**

As at 30 September 2018, DIB had 14 consolidated material subsidiaries (and 19 special purpose vehicles) details of which are set out in Note 28 of the 2018 Interim Financial Statements. As at 30 September 2018, DIB also had 8 significant associates and joint ventures. Of these, DIB considers the following to be its most important subsidiaries and associates in terms of revenue and future growth potential:

### **Tamweel P.J.S.C. (UAE)**

Tamweel was established in Dubai in November 2000 and is the specialist mortgage financing institution for the Group. Tamweel's core business is the provision of Shari'a compliant home financing solutions to real estate buyers in the UAE. Tamweel is licensed by the Central Bank to operate as an Islamic finance company.

As at 31 December 2012, DIB owned 58.3 per cent. of Tamweel's issued share capital, a controlling stake. In January 2013, DIB's Board of Directors approved a proposal to make the Tender Offer to the minority shareholders in Tamweel to acquire their shares in consideration of New Shares in DIB. Under the Tender Offer, DIB offered 10 New Shares for every 18 shares in Tamweel held by a Tamweel minority shareholder. The Tender Offer was widely accepted by the majority of the Tamweel shareholders and this increased DIB's shareholding from 58.3 per cent. to 86.5 per cent.

At an extraordinary general meeting held on 7 July 2013, Tamweel's shareholders approved the company's conversion to a Private Joint Stock Company and approved the delisting of its shares from the DFM, subject to receipt of relevant regulatory approval. On 26 September 2013, the UAE Securities and Commodities Authority (the **SCA**) approved the suspension of trading in Tamweel's shares on the DFM with effect from

1 October 2013. With effect from 27 August 2014, Tamweel was registered as a Private Joint Stock Company and its shares were delisted from the DFM during September 2014.

In September 2013, DIB settled all of Tamweel's *wakala* finance received from banks, amounting to AED 3.8 billion (U.S.\$1.0 billion), by providing a short-term *wakala* facility of an equivalent amount to Tamweel. On 1 April 2015, a further offer was announced by DIB to the minority shareholders to acquire the remaining 13.5 per cent. minority shares in Tamweel. DIB offered AED 1.25 per share to be paid in cash for each Tamweel share. 5.5 per cent. of offerees accepted this offer, and as a result DIB increased its stake in Tamweel from 86.5 per cent. to 92 per cent. in May 2015.

In January 2017, DIB fully redeemed the only outstanding senior sukuk of Tamweel (U.S.\$300 million).

As at 30 September 2018, Tamweel's authorised, issued and paid up share capital was AED 1,000 million (U.S.\$272 million). As at 30 September 2018, Tamweel had total assets of AED 3,669 million (U.S.\$999 million) compared to AED 3,985 million (U.S.\$1,085 million) as at 31 December 2017 and AED 4,682 million (U.S.\$1,275 million) as at 31 December 2016. As at 30 September 2018, Tamweel had total equity of AED 2,682 million (U.S.\$730 million) compared to AED 2,556 million (U.S.\$696 million) as at 31 December 2017 and AED 2,534 million (U.S.\$ 690 million) as at 31 December 2016.

For the nine month period ended 30 September 2018, Tamweel's net profit was AED 147 million (U.S.\$40 million) compared to AED 45 million (U.S.\$12 million) for the year ended 31 December 2017. On 22 December 2011, Tamweel established a U.S.\$1,000,000,000 Trust Certificate Issuance Programme (the **Tamweel Sukuk Programme**). Certain of Tamweel's payment obligations under the transaction documents relating to the Tamweel Sukuk Programme were guaranteed by DIB, where the relevant certificates issued under the Tamweel Sukuk Programme specify that such guarantee from DIB was applicable (see "*Risk Management – Liquidity risk and funding management – Liquidity risk management process*").

### **DIB Pakistan (Pakistan)**

DIB Pakistan was incorporated as a wholly-owned subsidiary of DIB in 2006. It currently has over 240 branches and express centres in over 60 cities across Pakistan. DIB Pakistan's team comprises experienced professionals with previous experience at leading banks (situated within and outside Pakistan). DIB Pakistan offers a full range of Shari'a compliant banking products in consumer banking, corporate and investment banking and wealth management. DIB Pakistan had share capital of Pakistani Rupee 11,652 million (U.S.\$94 million) as at 30 September 2018. As at 30 September 2018, DIB Pakistan's net assets were Pakistani Rupee 16,916 million (U.S.\$136 million) compared to Pakistani Rupee 15,077 million (U.S.\$137 million) as at 31 December 2017. For the nine month period ended 30 September 2018, DIB Pakistan's profit after taxation was Pakistani Rupee 1,843 million (U.S.\$15 million) compared to its profit after taxation of Pakistani Rupee 1,546 million (U.S.\$14 million) for the year ended 31 December 2017. For the purposes of this paragraph, Pakistani Rupees have been converted into U.S. dollars based on the closing rates on given dates.

### **Deyaar Development (UAE)**

Deyaar Development was incorporated as a wholly-owned subsidiary of DIB in 2002 and engages in real estate development and property management business in the UAE. DIB currently owns 44.9 per cent. of Deyaar Development (which is consolidated with the Group's financial statements, see "*Description of Dubai Islamic Bank PJSC – Overview*" above for further information). As at 30 September 2018, Deyaar Development's total assets were AED 5,953 million (U.S.\$1,621 million) compared to AED 6,536 million (U.S.\$1,780 million) as at 31 December 2017. For the nine month period ended 30 September 2018, Deyaar Development's profit before taxation was AED 101 million (U.S.\$28 million) compared to AED 130 million (U.S.\$35 million) for the year ended 31 December 2017. Deyaar Development's authorised and paid up capital was AED 5,778 million (U.S.\$1,573 million) as at 30 September 2018.

## **Dar Al Sharia Legal & Financial Consultancy LLC (UAE)**

Dar Al Sharia was incorporated as a subsidiary of DIB in 2007 and has expertise in all types of *Sharia* advisory, certification, product structuring, restructuring and documentation, conversion of conventional financial institutions as well as providing a full range of products for new Islamic financial institutions and specialising in the structuring and documentation of Sukuk, Islamic syndications and Islamic funds to the market in general (see "*Fatwa and Sharia Supervisory Board (the Sharia Board)*" below). As at 30 September 2018, DIB owned 60 per cent. of the issued share capital of Dar Al Sharia.

## **Bank Panin Syariah (Indonesia)**

The core principle behind DIB's growth strategy in key strategic international markets is to connect East Asia and South Asia with East Africa through Dubai. This principle, known internally as 'PIK', which stands for 'Pakistan, Indonesia, Kenya', aims to establish banking hubs in these key geographies and to connect them through Dubai. In line with this strategy, DIB has established hubs in Pakistan, Indonesia and Kenya and is looking to strengthen these hubs in the coming years and connect them to other regions and countries that fall within the PIK triangle.

As part of the PIK strategy, DIB acquired a 24.9 per cent. stake in Bank Panin Syariah in May 2014.

In October 2015, DIB obtained "Significant Shareholder Status" from the OJK in respect of Bank Panin Syariah as DIB increased its shareholding to 38.3 per cent. in Bank Panin Syariah. In July 2016, the bank had changed its logo and name from PT Bank Panin Syariah Tbk to PT Bank Panin Dubai Syariah Tbk. DIB provides technical assistance to Bank Panin Syariah in a bid to increase Shari'a banking in Indonesia through the introduction of new and innovative products and services. Currently, Bank Panin Syariah operates through a network of 17 branches (with its head office located at Panin Life Center Building, Jakarta, Indonesia) that offer Islamic banking services in the country.

Going forward, DIB, as the significant shareholder in Bank Panin Syariah, will continue to assist PT Bank Panin in order to promote the growth of Shari'a banking in Indonesia through Bank Panin Syariah's operations.

## **DIB Bank Kenya (Kenya)**

As part of the PIK strategy, DIB obtained 'in principal' approval from the Central Bank of Kenya in December 2014 to establish a Shari'a compliant bank in Kenya (**DIB Bank Kenya**) and accordingly, expand its business to cover East Africa. In April 2017, DIB obtained a banking licence from the Central Bank of Kenya to operate its wholly-owned subsidiary, DIB Kenya Ltd., and commenced commercial operations on 5 June 2017. DIB Bank Kenya's operations are now fully operational, offering an extensive range of Shari'a compliant products and services. With its head office in Nairobi, DIB Bank Kenya operates through a network of three branches in Kenya; two in Nairobi and one in Mombasa. DIB Bank Kenya plans to further expand its operations to other parts of Kenya. DIB's Kenya operations will act as a hub for the East African region and will allow DIB to further implement its PIK strategy.

## **Risk Management**

### ***Overview***

Risk is inherent in DIB's activities but it is managed through a process of ongoing identification, measurement and monitoring, subjecting risk to limits and the implementation of other risk controls, as described below. This process of risk management is critical to DIB's continuing profitability and each individual within DIB is accountable for the risk exposures relating to his particular responsibilities.

DIB is exposed to a number of risks, including credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. DIB is also subject to operating risks.



DIB's independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through DIB's strategic planning process.

### **Risk management structure**

The Board of Directors is ultimately responsible for identifying and controlling risks within DIB; however, there are separate independent bodies responsible for managing and monitoring risks.

#### ***Board of Directors***

The Board of Directors is responsible for DIB's overall risk management approach and for approving its risk strategies and principles.

#### ***Risk Management Committee***

DIB's Risk Management Committee has overall responsibility for the development of its risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

#### ***Risk Management Department***

The Risk Management Department is responsible for implementing and maintaining risk related procedures within DIB in order to ensure that an independent control process is in place. The Risk Management Department is responsible for credit administration, portfolio management, credit risk, market risk, operational risk and overall risk control.

#### ***Asset and Liability Management Committee***

ALCO is responsible for managing DIB's assets and liabilities and its overall financial structure. It is also primarily responsible for the funding and liquidity risks of DIB.

#### ***Collection & Remedial Management Committee (the CRMC)***

The Collection & Remedial Committee is a management level of authority. The primary purpose of the CRMC is to take remedial decisions and monitor recovery activities within the discretionary authority delegated to it by the Executive Committee and the Board of Directors. In performing its role, the CRMC periodically reviews and provides constructive recommendations to the Executive Committee and/or the Board of Directors on the policies, guidelines and processes for remedial activities in DIB.

#### ***Management Credit Committee***

The Management Credit Committee is a management level of authority responsible for taking credit decisions and monitoring credit activities within the discretionary authority delegated to it by the Board of Directors. In performing its role, the Management Credit Committee periodically reviews and provides constructive recommendations to the Board of Directors on DIB's credit policies, guidelines, processes and the future direction of credit/investment activities within DIB.

### **Risk measurement and reporting systems**

DIB measures risks using conventional qualitative methods for credit, market and operational risks. Further, DIB also uses quantitative analysis and methods to support revisions in business and risk strategies when required. These analyses and methods reflect both the expected loss likely to arise in the normal course of business and unexpected losses resulting from unforeseen events, which are based on simple statistical techniques and probabilities derived from historical experience. DIB also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by DIB. These limits reflect the business strategy and market environment of DIB as well as the level of risk that it is willing to accept, with additional emphasis on the industries of selected borrowers. Information compiled from all of DIB's business units is examined and processed in order to analyse, control and identify risks at an early stage. This information is presented and explained to the Board of Directors, the Risk Management Committee and the head of each business division. The report includes aggregate credit exposure, limit exceptions, liquidity and other risk profile changes. Detailed reporting of industry, customer and geographic risks takes place on a monthly basis. DIB's senior management assesses the appropriateness of its provisions for impairment losses on a quarterly basis.

### **Risk mitigation**

As part of its overall risk management process, DIB uses various methods to manage exposures resulting from changes in credit risks, profit rate risks, foreign currencies, equity risks and operational risks.

DIB seeks to manage its credit risk exposures through diversification of financing and investment activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. DIB actively uses collateral to reduce its credit risks. See "*– Credit risk*" below for further details.

DIB's market risk is managed on the basis of predetermined asset allocation across various asset categories and a continuous appraisal of movements in market conditions. DIB also continuously monitors expected changes in foreign currency rates, benchmark profit rates and equity indices in order to mitigate market risk. See "*– Market risk*" below for further details.

In order to mitigate against liquidity risk, DIB's management has access to diversified funding sources. DIB's assets are managed with its overall liquidity in mind as well as with a view to maintaining an appropriate balance of cash and cash equivalents in order to be able to meet its contractual liabilities at short notice. See "*– Liquidity risk and funding management*" below for further details.

To manage all other risks, DIB has developed a detailed risk management framework intended to identify and apply resources effectively in order to mitigate against those risks occurring.

### **Risk concentration**

Concentrations of risk arise within DIB when a number of its 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 DIB to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of DIB's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, DIB's policies and procedures include specific guidelines which require it to focus on maintaining a diversified portfolio of Islamic financing and investment assets. Where concentrations of credit risks are identified, DIB aims to control and manage these accordingly (as described further below).

### **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. DIB attempts to minimise credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of its counterparties. In addition to monitoring credit limits, DIB manages credit exposure relating to its trading activities by entering into collateral arrangements with counterparties in appropriate circumstances and limiting the duration of its exposure to those counterparties. In certain cases, DIB may also close out transactions or assign them to other counterparties to mitigate credit risk.

As described above under "*Risk concentration*", concentrations of credit risk arise when a number of DIB'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 be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of DIB's performance to developments affecting a particular industry or geographic location.

### **Management of credit risk**

DIB's credit risk management framework includes:

- establishment of an authorisation structure and limits for the approval and renewal of credit facilities;
- reviewing and assessing credit exposures in accordance with its authorisation structure and limits, prior to facilities being approved to customers. Renewals and reviews of facilities are subject to the same review process as occurs in respect of an application for a new facility;
- limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with the risk management strategy and market trends.

DIB has established a credit quality review process to provide early identification of possible changes in the creditworthiness of its counterparties. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. DIB's risk ratings are subject to regular revision. The credit quality review process allows DIB to assess the potential loss as a result of the risks to which it is exposed.

### **Credit risk measurement**

As described above, DIB assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. Whilst some of the models for assessment of retail products, underwriting and real estate projects have been developed internally, those relating to DIB's corporate, contracting and SME businesses have been acquired from Moody's and are housed within the Moody's Risk Analyst rating tool (which was implemented by DIB during 2009).

DIB's rating tools are kept under review and upgraded as necessary. DIB regularly validates the performance of the rating tools and their predictive power with regard to default events.

### ***Collateral***

DIB employs a range of policies and practices to mitigate credit risk. The most traditional and commonly used policy is to take collateral against the amount advanced. DIB has implemented guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral obtained in respect of DIB's Islamic financing and investing assets are:

- mortgages over residential and commercial properties;
- corporate and financial guarantees;
- charges over business assets such as premises, machinery, inventory and accounts receivable; and
- charges over financial instruments such as financing securities and equities.

The amount and type of collateral required by DIB depends on its assessment of the particular counterparty's credit risk. DIB implements guidelines regarding the acceptability of particular types of collateral and the parameters put in place for valuing it.

### *Islamic derivative financial instruments*

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in DIB's consolidated statement of financial position.

### *Credit-related commitments risks*

DIB makes available to its customers guarantees and letters of credit which require it to make payments in the event that its customer fails to fulfil certain obligations it owes to other parties.

This exposes DIB to a similar credit risk to that faced by it in respect of its financing and investing assets, and these risks are mitigated by the same control processes and policies as described above.

### *Portfolio Concentrations*

As described above, concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, in 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 of credit risk indicate the relative sensitivity of DIB's performance to developments affecting a particular industry or geographic location. DIB's credit policies are structured to ensure that DIB is not over-exposed to a given client, industry or geographic area through diversification of financing and investment activities. As at 30 September 2018, the breakdown of DIB's financing portfolio by sector was 18 per cent. consumer, 63 per cent. corporate and 19 per cent. real estate compared to 19 per cent. consumer, 62 per cent. corporate and 19 per cent. real estate, respectively, as at 31 December 2017.

The following table shows the concentration of DIB's gross Islamic financing and investing assets by industry sector as at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015:

	<b>30 September</b>		<b>31 December</b>		<b>31 December</b>		<b>31 December</b>	
	<b>2018</b>		<b>2017</b>		<b>2016</b>		<b>2015</b>	
	<i>(AED millions)</i>	%	<i>(AED millions)</i>	%	<i>(AED millions)</i>	%	<i>(AED millions)</i>	%
<b>Portfolio Concentration Gross Islamic Financing and Investing Assets – by Industry Sector:</b>								
Government .....	6,962	5	6,006	4	5,143	4.3	4,786	4.7
Financial institutions.....	6,119	4	6,335	5	5,586	4.6	5,184	5.1
Real estate.....	28,229	19	26,194	19	19,595	16.3	18,990	18.6
Contracting .....	6,982	5	7,362	5	7,080	5.9	4,184	4.1
Trade.....	8,890	6	8,218	6	7,393	6.1	5,548	5.4
Aviation .....	18,381	12	16,998	12	10,844	9.0	6,358	6.2
Services and manufacturing.....	33,542	22	27,849	20	26,211	21.7	20,653	20.2
Consumer home finance .....	13,337	9	13,455	10	13,138	10.9	13,202	12.9
Consumer financing.....	26,039	18	26,651	19	25,536	21.2	23,363	22.8
<b>Total.....</b>	<b>148,481</b>	<b>100.0</b>	<b>139,067</b>	<b>100</b>	<b>120,526</b>	<b>100.0</b>	<b>102,268</b>	<b>100.0</b>

	30 September				31 December			
	2018		2017		2016		2015	
	(AED millions)	%	(AED millions)	%	(AED millions)	%	(AED millions)	%
<b>Portfolio Concentration Gross Islamic Financing and Investing Assets – by geographical areas:</b>								
Within UAE.....	139,978	94.3	131,088	94.3	113,147	93.9	94,965	92.9
Outside UAE .....	8,503	5.7	7,979	5.7	7,380	6.1	7,303	7.1
<b>Total.....</b>	<b>148,481</b>	<b>100</b>	<b>139,067</b>	<b>100</b>	<b>120,526</b>	<b>100</b>	<b>102,268</b>	<b>100</b>

	Portfolio outstanding net of future profits	Bilateral sukuk	Total	Non performing assets	Provisions held	Non performing/ portfolio outstanding net of future profits and bilateral sukuk (%)	Provisions/ non performing
		(AED millions)					
30 September 2018 .....	148,481	3,192	151,673	4,997	5,885	3.4	117.8
31 December 2017.....	139,067	3,192	142,259	4,861	5,733	3.4	117.9
31 December 2016.....	120,526	3,192	123,718	4,768	5,559	3.9	116.6
31 December 2015.....	102,268	3,305	105,573	5,289	5,048	5.0	95.4

### Impairment assessment

Since 1 January 2018, DIB applies a three-stage approach to measure allowances for credit losses, using an Expected Credit Loss (ECL) model as required under IFRS 9, for the following categories of financial instruments that are not measured at FVTPL:

- financial assets that are financing instruments and investment in sukuk;
- off-balance sheet instruments issued; and
- financial guarantee contracts issued.

The ECL model is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either: (i) over the following twelve months; or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The three stages are as follows:

- under stage one, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded;
- under stage two, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded; and
- under stage three, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The ECL model is forward-looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL. No impairment loss is recognised on equity investments.

### *Individually assessed allowances*

DIB determines the allowances appropriate for each individually significant Islamic financing or investing asset on an individual basis. Matters considered by DIB when determining impairment allowance amounts include:

- the sustainability of the counterparty's business plan;
- its ability to improve performance once a financial difficulty has arisen;
- projected receipts and the expected dividend payout should the counterparty become bankrupt;
- the availability of other financial support and the realisable value of collateral; and
- the timing of the expected cash flows under the Islamic financing or investing asset.

DIB's impairment losses are evaluated at each financial reporting date, unless unforeseen circumstances require more careful attention prior to the next financial reporting date.

### *Collectively assessed allowances*

DIB's collective assessment takes account of impairment that is likely to be present in each portfolio even though there is no objective evidence of the impairment on the basis of an individual assessment. Impairment losses are estimated by taking into consideration each of the following factors: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance and expected receipts and recoveries once impaired. The impairment allowance is reviewed by the Risk Management Committee to ensure alignment with DIB's overall policy.

Provisions in relation to acceptances, letters of credit and guarantees are assessed and made by DIB in a similar manner as for its Islamic financing and investing assets.

In November 2010, the Central Bank published a set of rules making it mandatory for banks and financial institutions to make provisions for their impaired loans on a quarterly basis. The guidelines prescribe specific provisions for three categories of impaired loans and stipulate that lenders should build up general provisions equal to 1.5 per cent. of credit risk-weighted assets over a period of four years. DIB is building provisions and reserves for general provisions accordingly and is ahead of the given Central Bank requirement.

The following table sets out the movements in DIB's provision for impairment of its financing and investing assets for the nine month period ended 30 September 2018 and the years ended 31 December 2017, 31 December 2016 and 31 December 2015:

	<u>30 September</u>	<u>31 December</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
		<i>(AED millions)</i>		
Balance at the beginning of the year .....	5,947	5,559	5,048	5,147
Charge for the year .....	1,364	1,909	2,112	1,520
Release to consolidated statement of profit or loss .....	(705)	(1,074)	(1,149)	(1,036)
Write-off .....	(721)	(661)	(411)	(380)
Others .....	-	-	(41)	(203)
Balance at the end of the year .....	5,885	5,733	5,559	5,048
Gross amount of Islamic financing and investing assets, individually determined to be impaired ...	4,823	4,600	4,439	4,302

## Liquidity risk and funding management

DIB maintains 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. DIB also has committed lines of credit that it can access to meet liquidity needs should the need arise. In addition, DIB maintains statutory deposits with certain central banks. DIB's liquidity position is assessed and managed under a variety of scenarios, which give due consideration to stress factors relating to both the market in general and those specific to DIB. Sources of liquidity are regularly reviewed by management to maintain a wide diversification by currency, geography, provider, product and term.

DIB believes that the high quality of its asset portfolio ensures its liquidity, which, coupled with its own funds and "evergreen" customer deposits, help form a stable funding source. DIB is confident that, even under adverse conditions, it will have access to the funds necessary to cover customer needs and meet its funding requirements.

DIB's primary tool for monitoring its liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines have been established by DIB for the cumulative negative cash flow over successive time periods.

The following tables show the maturity profile of DIB's assets, liabilities and equity as at 31 December 2017 and 31 December 2016:

	As at 31 December 2017					Total
	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No maturity	
	<i>(AED millions)</i>					
<b>Assets:</b>						
Cash and balances with central banks	27,619	266	0	-	-	27,885
Due from banks and financial institutions .....	4,477	-	200	-	-	4,677
Islamic financing and investing assets, net .....	11,622	20,092	69,315	32,305	-	133,334
Investments in Islamic Sukuk measured at amortised cost .....	783	1,844	9,600	11,796	-	24,023
Other investments measured at fair value .....	-	960	1,001	-	-	1,962
Investments in associates and joint ventures.....	-	-	-	-	2,136	2,136
Properties held for development and sale.....	-	-	1,274	-	-	1,274
Investment properties .....	-	-	-	-	3,570	3,570
Receivables and other assets.....	875	5,099	1,365	1	-	7,339
Property and equipment.....	3	9	44	1	1,079	1,136
<b>Total assets .....</b>	<b>45,379</b>	<b>28,271</b>	<b>82,799</b>	<b>44,103</b>	<b>6,785</b>	<b>207,337</b>
<b>Liabilities and equity:</b>						
Customers' deposits .....	52,366	65,252	29,544	19	-	147,181
Due to banks and financial institutions .....	10,634	3,697	546	-	-	14,878
Sukuk issued.....	-	-	8,521	138	-	8,659
Payables and other liabilities .....	4,474	1,819	1,166	-	-	7,459
Zakat payable.....	-	280	-	-	-	280
Equity .....	-	-	-	-	28,881	28,881

	As at 31 December 2017					
	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No maturity	Total
	(AED millions)					
<b>Total liabilities and equity</b>	<u>67,474</u>	<u>71,048</u>	<u>39,777</u>	<u>157</u>	<u>28,881</u>	<u>207,337</u>
<b>Net maturities gap</b> .....	<u>(22,095)</u>	<u>(42,777)</u>	<u>43,022</u>	<u>43,946</u>	<u>(22,006)</u>	<u>-</u>

	As at 31 December 2016					
	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No Maturity	Total
	(AED millions)					
<b>Assets:</b>						
Cash and balances with central banks.....	16,291	364	0	0	0	16,655
Due from banks and financial institutions .....	4,346	0	200	0	0	4,546
Islamic financing and investing assets, net .....	10,555	18,469	59,082	26,862	0	114,968
Investment in Islamic Sukuk measured at amortised cost .....	769	896	10,602	11,142	0	23,409
Other investments measured at fair value .....	1	819	897	0	0	1,717
Investments in associates and joint ventures .....	0	0	0	0	2,034	2,034
Properties held for development and sale .....	0	0	1,348	0	0	1,348
Investment properties .....	0	0	0	0	3,058	3,058
Receivables and other assets.....	459	4,621	1,228	0	0	6,308
Property and equipment.....	0	0	0	0	928	928
<b>Total assets</b> .....	<u>32,421</u>	<u>25,169</u>	<u>73,357</u>	<u>38,004</u>	<u>6,020</u>	<u>174,971</u>
<b>Liabilities and equity:</b>						
Customers' deposits .....	31,750	57,596	32,995	36	0	122,377
Due to banks and financial institutions .....	5,590	2,300	2,528	0	0	10,418
Sukuk issued.....	1,103	1,837	4,756	0	0	7,695
Payables and other liabilities .....	4,408	1,376	1,185	0	0	6,969
Zakat payable.....	0	242	0	0	0	242
Equity .....	0	0	0	0	27,269	27,269
<b>Total liabilities and equity</b> .....	<u>42,851</u>	<u>63,351</u>	<u>41,464</u>	<u>36</u>	<u>27,269</u>	<u>174,971</u>
<b>Net maturities gap</b> .....	<u>(10,430)</u>	<u>(38,182)</u>	<u>31,893</u>	<u>37,968</u>	<u>(21,249)</u>	<u>-</u>

### Liquidity risk management process

DIB's liquidity risk management process, as carried out within DIB and monitored by a separate team in DIB's Treasury department, includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes the replenishment of funds as they mature or are financed by customers;



- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to DIB's cash flows;
- monitoring DIB's consolidated statement of financial position liquidity ratios against internal and regulatory requirements; and
- managing the concentration and profile of the maturity dates of its investing and financing exposures.

The following table sets forth a number of liquidity ratios for DIB as at 30 September 2018, 31 December 2017 and 31 December 2016:

	<b>30</b>	<b>31 December</b>		
	<b>September</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>2018</b>	%		
<b>Liquidity ratios:</b>				
Liquid assets <sup>(1)</sup> /total deposits.....	14	12	13.1	13.6
Customer deposits/total deposits <sup>(2)</sup> .....	94.5	90.8	92.2	95.9
Net financing and investment assets/customer deposits.....	89	91	94	88
Net financing and investment assets/total assets.....	64	64	66	65

Notes:

(1) Liquid assets include cash and balances with central banks, due from banks and financial institutions and other investments measured at fair value.

(2) Total deposits include customers' deposits and due to banks and financial institutions.

The following table provides a breakdown of DIB's customer deposits as at 30 September 2018, 31 December 2017 and 31 December 2016:

	<b>30</b>	<b>31 December</b>		
	<b>September</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>2018</b>	(AED millions)		
<b>Customers' deposits:</b>				
Current accounts.....	29,954	34,054	29,007	27,623
Saving accounts.....	21,491	18,872	17,848	16,283
Investment deposits.....	108,571	93,596	74,906	65,302
Margins (LC and guarantee margins).....	475	533	489	585
Depositors' investment risk reserve.....	11	16	19	57
Depositors' share of profit payable.....	105	110	108	131
<b>Total</b> .....	<b>160,607</b>	<b>147,181</b>	<b>122,377</b>	<b>109,981</b>

The following table provides a breakdown of DIB's contingencies and commitments as at 30 September 2018, 31 December 2017 and 31 December 2016:

	<b>30</b>	<b>31 December</b>		
	<b>September</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>2018</b>	(AED millions)		
<b>Contingent liabilities:</b>				
Letters of guarantees.....	13,282	13,834	11,747	9,096
Letters of credit.....	1,951	1,852	2,610	2,867
<b>Total</b> .....	<b>15,233</b>	<b>15,686</b>	<b>14,357</b>	<b>11,963</b>

	<b>30</b>	<b>31 December</b>		
	<b>September</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>2018</b>	<b>(AED millions)</b>		
<b>Commitments:</b>				
Capital expenditure commitments .....	881	1,514	1,452	1,134
Irrevocable undrawn facilities and commitments .....	18,838	14,885	18,420	24,101
<b>Total commitments</b> .....	<b>19,720</b>	<b>16,398</b>	<b>19,872</b>	<b>25,235</b>
<b>Total contingent liabilities and commitments</b> .....	<b>34,953</b>	<b>32,084</b>	<b>34,229</b>	<b>37,198</b>

For a description of the maturity profile of DIB's derivative cash flows as at 31 December 2017, 31 December 2016 and 31 December 2015, please refer to Note 46 to the 2017 Financial Statements and Note 46 to the 2016 Financial Statements, incorporated by reference in this Prospectus.

In addition to customer deposits, DIB's other sources of funding over the last few years have been:

### ***Sukuk issuance by DIB***

#### ***U.S.\$5,000 million Trust Certificate Issuance Programme (the Programme)***

In May 2012, DIB, through a Shari'a compliant financing arrangement, established the Programme. Under the Programme, the first series of the trust certificates amounting to U.S.\$500 million (AED 1,836.5 million) was issued and listed on the Irish Stock Exchange on 30 May 2012. The first series of trust certificates issued under the Programme matured in May 2017 and, at the time of issuance, were expected to pay a semi-annual profit to investors based on 6 months LIBOR plus 3.65 per cent. per annum. The second series of trust certificates issued under the Programme amounting to U.S.\$750 million (AED 2,754.8 million) was issued and listed on the Irish Stock Exchange in June 2015 and matures in June 2020. Profit distributions under the second series are paid semi-annually at a profit to investors of 2.92 per cent. per annum. The third series of trust certificates issued under the Programme amounting to U.S.\$500 million (AED 1,836.5 million) was issued and listed on the Irish Stock Exchange in March 2016 and matures in March 2021. Profit distributions under the third series are paid semi-annually at a profit rate to investors of 3.600 per cent. per annum. The fifth series of trust certificates issued under the Programme amounting to U.S.\$1,000 million (AED 3,673.0 million) was issued and listed on the Irish Stock Exchange in February 2017 and matures in February 2022. Profit distributions under the fifth series are paid semi-annually at a profit to investors of 3.66 per cent. per annum. The sixth series of trust certificates issued under the Programme amounting to U.S.\$1,000 million (AED 3,659.8 million) was issued and listed on the Irish Stock Exchange and Nasdaq Dubai in February 2018 and matures in February 2023. Profit distributions under the sixth series are paid semi-annually at a profit to investors of 3.63 per cent. per annum.

The terms of the Programme include transfer of certain identified assets (the **Co-Owned Assets**) including original leased and *musharakat* assets, Shari'a compliant authorised investments and any replaced assets of DIB to the Trustee. These assets are under the control of DIB and shall continue to be serviced by DIB.

The Trustee will pay the semi-annual distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amount payable to the sukukholders on the semi-annual distribution dates. Upon maturity of the sukuk, DIB has undertaken to buy these assets at the exercise price from the Trustee.

### ***Tier 1 issuance***

DIB has issued Tier 1 Sukuk through Shari'a compliant structures with details mentioned in "*Shareholders and Capital Structure – Tier 1 issuances*".

### ***Sukuk issuance by subsidiaries of DIB***

*Shari'a compliant U.S.\$300 million Trust Certificates due 2017*

In 2012, Tamweel (a subsidiary of DIB) issued Shari'a compliant trust certificates of US\$300 million (AED 1,101.9 million) at an expected profit rate of 5.15 per cent. per annum. Realised profit on these certificates is payable semi-annually in arrears. The certificates were listed on the Irish Stock Exchange and matured in January 2017. This issuance was fully repaid by DIB on its scheduled maturity in January 2017.

Apart from the aforementioned trust certificates, Tamweel had also completed two other issuances of certificates, each of which were fully repaid on scheduled maturity:

- In 2008, it issued Shari'a compliant, convertible sukuk for a total value of U.S.\$300 million (AED 1,101.9 million) at an expected profit rate of 4.31 per cent. per annum. Realised profit on these sukuk was paid quarterly in arrear. The sukuk were listed on Nasdaq Dubai and were redeemed fully in cash on scheduled maturity in January 2013.
- In 2008, further Shari'a compliant, non-convertible sukuk were issued in the form of trust certificates for the total value of AED 1,100 million at an expected profit rate of 3 months EIBOR plus 225 basis points per annum. Realised profit on these sukuk was paid quarterly in arrear. These sukuk were listed on Nasdaq Dubai and were redeemed fully in cash on scheduled maturity in July 2013.

### ***Medium term wakala finance***

During 2008, DIB received the Wakala Deposits from the UAE Ministry of Finance. During 2009, DIB elected to re-categorise the Wakala Deposits as Tier 2 qualifying finance, which was approved by DIB's shareholders at an extraordinary general meeting held in April 2009. The Wakala Deposits were used for investments with a tenor of seven years and were scheduled to mature in December 2016. Profit on the Wakala Deposits was paid every three months. During the financial year ended 31 December 2013, DIB repaid the Wakala Deposits in full before their scheduled maturity (December 2016) after obtaining the necessary regulatory and government approvals.

### ***Repo facility***

In the event of a liquidity crisis, DIB has a large portfolio of rated sukuk that could be used for repo and has access to the Central Bank's measures intended to ensure that banks within the UAE have sufficient liquidity including, in particular, through access to the Central Bank's Islamic-compliant CD repo facility (see "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Liquidity*").

### ***General risk associated with the UAE Banking sector***

Please see "*The United Arab Emirates Banking Sector and Regulations*" and "*Risk Factors*" for an overview of the general risks associated with the UAE Banking Sector.

### ***Market risk***

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on DIB's open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. DIB is exposed to diverse financial instruments including securities, foreign currencies, equities and commodities.

DIB pays considerable attention to market risk. It uses appropriate models, in accordance with standard market practice, to value its positions and receives regular market information in order to regulate its market risk.

DIB's trading market risk framework comprises the following elements:

- limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management; and

- independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on a timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of DIB's market risk policy in day-to-day operations. These are reviewed periodically to ensure they remain in line with DIB's general market risk policy. DIB's Chief Risk Officer ensures that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, DIB is required to comply with the guidelines and regulations of the Central Bank.

### ***Profit margin risk***

DIB is not significantly exposed to risk in terms of the repricing of its customer deposits since, in accordance with Islamic *Sharia*, DIB does not provide contractual rates of return to its depositors or investment account holders. The return payable to depositors and investment account holders is based on the principle of the Mudaraba by which the depositors and investment account holders agree to share the profit or loss made by DIB's Mudaraba asset pool over a given period.

### ***Profit rate risk***

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. DIB is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. DIB manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

DIB manages profit rate risk in its banking book using value at risk methodology and by stress testing parallel shifts of profit rate movements.

### ***Foreign exchange risk***

DIB has income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert this income into UAE dirham (see further Note 48.4.3 to the 2017 Financial Statements incorporated by reference in this Prospectus).

### ***Equity price risk***

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the level of equity indices and the value of individual stocks. Non-trading equity price risk exposure arises from DIB's investment portfolio.

### ***Operational Risk***

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or systems.

DIB has developed a detailed operational risk framework which defines roles and responsibilities of individuals/units across different functions that are involved in performing various operational risk management tasks. DIB's operational risk management framework is intended to ensure that its operational risks are properly identified, monitored, managed and reported. Key elements of this framework include process mapping, setting up a loss database, establishing key risk indicators (**KRIs**), risk analysis and risk management reporting.

DIB currently utilises ORMIS, an operational risk tracking system used to track operational risk events across its businesses. The system houses four years of operational loss data. The subject system is currently enhanced to automate KRIs and risk control self-assessment.

Each new product introduced by DIB is subject to a risk review and sign-off process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product.

Variations of existing products are also subject to a similar process. DIB's business and support units are responsible for managing operations risk in their respective functional areas. They operate within DIB's operational risk management framework and ensure that risk is managed within their respective business units. The day-to-day management of operational risk is carried out through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedure to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning.

## **Legal Risk**

### ***Overview***

DIB has a full-time team of legal advisers who deals with both routine and more complex legal cases. Situations of a particular complexity and sensitivity are referred to external firms of lawyers, either in the UAE or overseas, as appropriate. DIB also seeks to mitigate legal risk through the use of properly reviewed standard documentation and where necessary, seeking appropriate legal advice in relation to its non-standard documentation.

### ***Capital adequacy***

DIB currently calculates its capital adequacy ratio in accordance with the capital adequacy regulations, standards and guidelines issued by the Central Bank in line with Basel III requirements. The Central Bank introduced the Basel III Regulations (as defined herein) introducing minimum capital requirements at three levels: common equity tier 1 (**CET1**), tier 1 and total capital. DIB must maintain a minimum CET1 ratio of 7 per cent. See "*Capital Adequacy*" above for DIB's capital adequacy ratios as at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015.

The Central Bank has also introduced capital buffers which must be maintained in addition to the minimum CET1 requirement of 7 per cent.: (i) DIB is currently required to maintain a capital conservation buffer (**CCB**) of 1.875 per cent. of risk weighted assets and a domestic systemically important bank buffer (**D-SIBB**) of 0.375 per cent. of risk weighted assets, which following transitional arrangements, from 2019, will increase to 2.5 per cent. and 0.5 per cent., respectively; and (ii) a countercyclical capital buffer (**CCCB**), which following transitional arrangements, must be maintained at a level determined by the Central Bank between 0 – 2.5 per cent. of risk weighted assets. The CCCB is not yet in effect and was not required to be maintained for 30 September 2018. Therefore, the combined buffer requirement applicable to DIB as at the date of this Prospectus comprises only the CCB and the D-SIBB. As at 30 September 2018, DIB fulfilled its capital conservation buffer requirement with a margin of 4.05 per cent.

### ***Liquidity***

DIB is required to have a robust liquidity risk framework in place to manage its liquidity position in accordance with the qualitative and quantitative requirements set out in the Liquidity Notice (as defined herein) issued by the Central Bank. Pursuant to the qualitative requirements of the Liquidity Notice, DIB has been compliant with LCR (as defined herein) since June 2018, whilst however, the NSFR (as defined herein) is expected to be implemented in early 2019 (see further "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Liquidity*"). DIB is also compliant with both ELAR and ASRR (each as defined herein). As at the date of this Prospectus, DIB submits LCR, ELAR and ASRR information to the Central Bank.

## Recent developments

In June 2018, the Central Bank published "Risk Management Regulation" and "Risk Management Standards" for UAE banks. The purpose of these regulations and standards is to establish a prudential framework for risk management in banks and to strengthen risk management across the banking sector. The areas covered by these regulations and standards are: (i) the risk management function; (ii) risk measurement and use of models; (iii) stress testing; (iv) information systems; (v) strategic and operational decisions; (vi) group risk management; (vii) disclosures; and (viii) Islamic banking.

DIB conducted a self-assessment against these regulations and standards and concluded that its policies and procedures are largely compliant. DIB identified certain areas where further enhancements may be required: their existing framework is to be updated to include more detail on the responsibilities of DIB's Board of Directors and senior management and the reporting and group structures are expected to be improved, in each case, with a view to complying with the requirements by the Central Bank's expected timeline.

## Related parties

Certain related parties (principally major shareholders, associated companies, directors and senior management of DIB and companies of which they are principal owners) are customers of the Group in the ordinary course of business. The transactions with these parties were made on substantially the same terms, including profit and commission rates, as the case may be, and the requirements for collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve an amount of risk which was more than the amount of risk relating to such comparable transactions. No impairment allowances have been recognised against financing and investing assets extended to such related parties.

The tables below set out the amounts outstanding as at 30 September 2018 and as at 31 December 2017, 31 December 2016 and 31 December 2015 in respect of transactions entered into by DIB with related parties:

	<b>30</b>	<b>31 December</b>		
	<b>September</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>2018</b>	<i>(AED millions)</i>		
Islamic financing and investing assets .....	1,849	1,748	2,182	2,596
Investment in Islamic Sukuk .....	1,498	1,581	918	861
Customer deposits .....	4,930	7,770	7,157	9,854
Contingent liabilities and commitments .....	-	-	-	14

The tables below set out the income statement for the nine month periods ended 30 September 2018 and 30 September 2017 along with the income statement for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 in respect of transactions entered into by DIB with related parties:

	<b>Period ended 30</b>		<b>Year ended 31 December</b>		
	<b>September</b>	<b>September</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>2018</b>	<b>2017</b>	<i>(AED millions)</i>		
<b>Income Statement Highlights</b>					
Income from Islamic financing and investing .....	57	60	80	76	78
Income from investment in Islamic suku .....	45	49	65	32	27
Depositors' share of profits.....	99	149	100	132	86

## **Information Technology**

DIB recognises the importance of information technology in assisting it in reaching its objectives of growth, expansion and competitive market positioning. There is strong alignment between DIB's business plans and its information technology plans.

DIB's existing technology set-up is based upon a stable core banking solution system which is integrated with local and global regulatory and transactional systems. This technology set-up is used with a view to ensuring availability and reliability of business services to customers and also to allow DIB to leverage and continually enhance Islamic financing applications. DIB is also committed to the introduction of specific technology management systems, including Treasury, Asset and Liability and HR management systems which will help it meet growing competition and market pressures. In 2013, DIB completed a significant upgrade of its infrastructure following a detailed evaluation process that took place in 2007. This infrastructure continues to be updated from time to time, including with the view to ensuring reliable and tested disaster recovery contingencies.

## **Compliance**

DIB has a compliance function in place, which is headed by a dedicated compliance officer (the **Compliance Officer**). The Compliance Officer reports to the senior management of DIB and is responsible for coordinating and overseeing the effective implementation of DIB's compliance programme and policies. The Compliance Officer also has access to the board committees, as and when required.

DIB's compliance policies have been devised to prevent exposure to various risks (e.g. money laundering, terrorist financing and sanctions). These policies are also aimed at ensuring compliance with sanction programmes of the UAE, the USA, the United Nations and the EU. Moreover, they focus on meeting the requirements of applicable laws and regulations, and adopting international best practices on various compliance controls.

As per applicable laws and regulations and international best practices, DIB follows a risk-based approach and conducts risk-based assessments in respect of all its activities and provides advice to all of its UAE-based branches and subsidiaries on the adequacy of the relevant controls in place to ensure compliance with the applicable laws and regulations. DIB requires that its Anti-Money Laundering (**AML**), Counter Financing of Terrorism (**CFT**), Client Acceptance, FATCA and Common Reporting Standard (**CRS**) policies and practices are adopted by all its UAE-based branches and subsidiaries.

DIB also carries out enhanced due diligence on customers who are classified as high risk at the time of onboarding and again at the time of KYC renewals of existing customers. DIB also monitors transaction activity for customer transactions that are deemed as unusual.

DIB has a monitoring programme to prevent, detect and report suspicious and dubious transactions, which includes advanced AML/CFT monitoring systems to monitor transactions and respond appropriately. DIB also monitors its customer transaction profiles based upon pre-determined thresholds and scenarios.

DIB's compliance policies and practices are subject to periodical review and assessment for effectiveness and adequacy by the internal audit function of DIB, as well as by the Central Bank.

## **Internal Audit**

Risk management processes throughout DIB are audited periodically by its internal audit function which examines both the adequacy of DIB's risk management procedures and DIB's compliance with them. Members of the Internal Audit department discuss the results of their assessments with DIB's management and report their findings and recommendations to the Audit Committee.

## Business Continuity Planning and Disaster Recovery

DIB has established infrastructure and processes designed to ensure that a robust and secure business, technical and operational contingency plan is in place. This plan is based on the following elements:

The first level of protection ensures that all key technical systems at DIB's head office have onsite back-up systems.

In the event that DIB's head office back-up systems (described above) also fail, DIB's second level of Business Continuity Planning (**BCP**) and Disaster Recovery (**DR**) principally comprises two off site DR sites (located in each of Sharjah and Al Ain), which are strategically located away from its head office (which is in line with ISO 9000/8 and ISO Tec 27001 standards) and ensure further safety and security. DIB's BCP and DR infrastructure is also in compliance with the Global Good Practice Guidelines circulated by the United Kingdom's Business Continuity Institute.

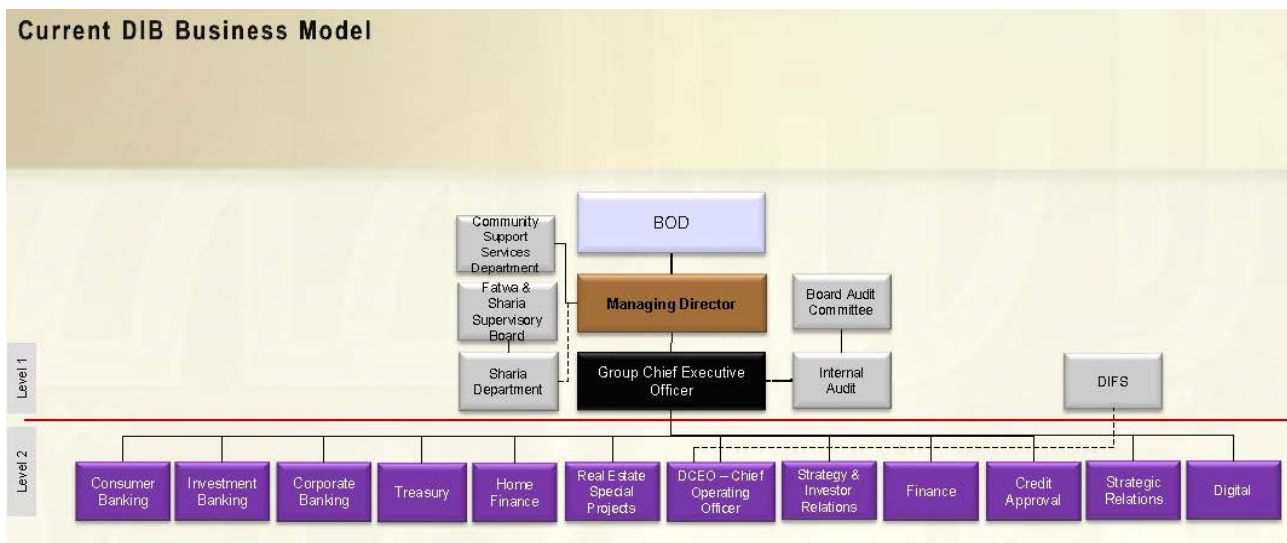
All critical processes and system contingencies have been established in accordance with global best practice and incorporate business impact analysis and risk impact analysis intended to minimise any negative effects in the case of an unprecedented scenario. These processes and system contingencies include:

- business processes;
- document continuity;
- emergency management;
- facilities management; and
- human resource planning.

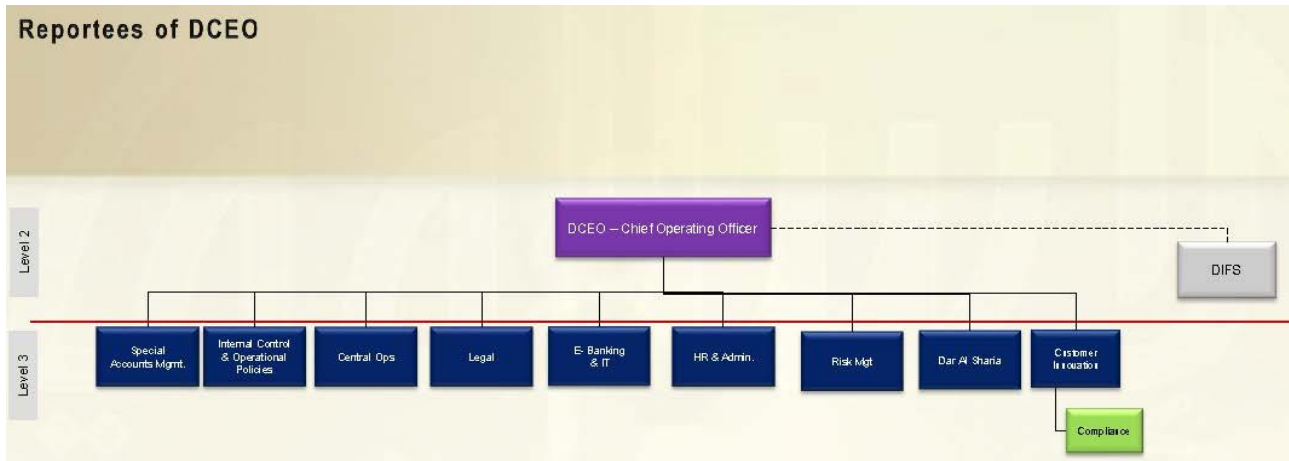
Accordingly, DIB believes that all critical systems and processes within DIB are protected by its BCP and DR strategy and planning exercise (which includes both local and international linked systems and processes as well as regulatory requirements). DIB refines its BCP and DR strategy on an ongoing basis. In order to ensure that they are up to date and effective, DIB regularly conducts BCP tests and exercises along with regular DR drills to make certain that it has a sustained and robust BCP and DR environment.

## Management and Employees

The following chart summarises the principal features of the organisational structure within DIB:







### Board of Directors

The Board of Directors is elected by shareholders at a general meeting. DIB requires the majority of its Board of Directors to be UAE nationals. Each Director is appointed for a three year term at the end of which the Board is re-elected. The Board of Directors has the necessary power to manage DIB and act on its behalf.

The following table sets out the names of the current members of DIB's Board of Directors:

<u>Name</u>	<u>Designation</u>
H.E. Mohammad Ibrahim Al Shaibani	Board Chairman
Mr. Yahya Saeed Ahmad Lootah	Board Member
Mr. Abdulla Ali Obaid Al Hamli	Board Member / Managing Director
Mr. Hamad Abdulla Rashed Al Shamsi	Board Member
Mr. Ahmad Mohammad Bin Humaidan	Board Member
Mr. Abdulaziz Ahmed Rahma Al Mheiri	Board Member
Mr. Hamad Mubarak Buamim	Board Member
Mr. Abdulla Hamad Rahma Al Shamsi	Board Member
Mr. Javier Marin Romano	Board Member

The address of each member of the Board of Directors is P.O. Box 1080, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to DIB. Each member of DIB's Board of Directors (except the managing director) is an independent and nonexecutive director of DIB.

Detailed below is brief biographical information on the members of DIB's Board of Directors.

#### ***H.E. Mohammad Ibrahim Al Shaibani***

H.E. Mohammed Ibrahim Al Shaibani is the Director General of H.H. the Dubai Ruler's Court, a prime government body of the Emirate. He is also the CEO and Executive Director of the ICD, the principal investment arm of the Government of Dubai.

H.E. Al Shaibani also serves as Vice Chairman of the Supreme Fiscal Committee of Dubai, which oversees Dubai's fiscal policies. He is a member of Dubai's Executive Council, an entity charged with supervising and supporting Dubai's government bodies. H.E. Al Shaibani is also Deputy Chairman of the Higher Committee of World Expo 2020, the upcoming universal fair to be held in Dubai.

H.E. Al Shaibani is Chairman of the Board of Directors of DIB. He is also a member of the board at government-related organizations including Dubai World, and Dubai Aerospace Enterprise Limited. In 2009, he played a pivotal role in restructuring Dubai's debt.

***Mr. Hamad Abdulla Rashed Al Shamsi***

Mr. Al Shamsi serves as a member of DIB's Board of Directors.

Mr. Hamad Abdulla Al Shamsi has a wealth of experience that spans more than two decades, having overseen several businesses across multiple disciplines; including financial services and investments. He is currently the CEO of Private Investment Company, which specialises in investments and large-scale real estate development projects. Mr. Al Shamsi also served on the board of Abu Dhabi Securities Exchange (ADX), prior to moving to the Private Office of His Highness the late Sheikh Zayed bin Sultan Al Nahyan. Mr. Al Shamsi also serves as the Chairman of the Board of Directors of Amanat Holding and is a member of the Board of Directors of, amongst others, Etihad Airways Group and Kuwait Food.

Mr. Al Shamsi holds a Bachelor's degree in Business Administration from UAE University and an MBA majoring in Finance and Banking from the USA.

***Mr. Abdulla Ali Obaid Al Hamli***

Mr. Al Hamli served as CEO of DIB from 2008, and is also a member of DIB's Board of Directors. Mr Al Hamli joined DIB in 1999. Before assuming the role of CEO, he served as DIB's Chief Information Officer where he directed the IT & Operations team and oversaw the upgrade of DIB's IT infrastructure. Mr Al Hamli is currently Chairman of Tamweel following his appointment to this position in November 2010. Mr Al Hamli was appointed as Managing Director of DIB in mid-2013.

Mr. Al Hamli also serves as Chairman of the property developer, Deyaar Development. He holds a degree in Economics and Mathematics from Al Ain University, UAE.

***Mr. Ahmad Mohammad Bin Humaidan***

Mr. Bin Humaidan serves as a member of DIB's Board of Directors.

Mr. Bin Humaidan has over 28 years' experience in strategic thinking, strategic planning, projects management, leading improvements programmes and change management and also serves as Deputy Director General of H.H. The Ruler's Court, Government of Dubai and as the Vice Chairman of the Board of Smart Dubai. He has also previously served as the Director General for Dubai Smart Government and as the Director of Projects for The Executive Office of His Highness Sheikh Mohammad Bin Rashid Al Maktoum, Vice President and Prime Minister of UAE and Ruler of Dubai. Mr. Bin Humaidan started his career with Emirates/Dnata Group of companies where he worked for five years.

Mr. Bin Humaidan holds a degree in Electrical Engineering from UAE University as well as a Business Administration diploma from Sheffield Hallam University, United Kingdom.

***Mr. Abdulaziz Ahmed Rahma Al Mheiri***

Mr. Al Mheiri serves as a member of DIB's Board of Directors. Mr. Al Mheiri also serves as a member of the Board of Directors of Bourse Dubai, Vice Chairman of the Support Fund and Chairman of the Supervisory Board of Bosna Bank International. He has previously served as the Managing Director of the ICD and as a member of the Board of Directors and Chief Executive Officer for Dubai Bank.

Mr. Al Mheiri holds a Science degree, specialising in Accounting and Finance, from the American College of Switzerland.

***Mr. Abdulla Hamad Rahma Al Shamsi***

Mr. Al Shamsi has served as the Chairman of Dubai Properties Group (May 2012 until 2015) and has also been a Member of the Board of Directors for Emirates Integrated Telecommunications Co. (March 2007 until March 2018). He was also the General Manager for United Arab Shipping Agencies Co. until 2014.

Previously, Mr. Al Shamsi served as the Chairman for Middle East Container Repair until 2013 and was a founding member and treasurer for the UAE Tennis Association until 2010.

Mr. Al Shamsi obtained a Bachelor of Science degree, Business and Public Administration with a major in Finance and Economics from New York University in 1981.

***Mr. Hamad Mubarak Buamim***

Holding his current position since 2006, Mr. Hamad Buamim is the President & CEO of Dubai Chamber of Commerce & Industry. He is also the Chairman of the World Chambers Federation - ICC in Paris.

In addition to his role on the DIB Board, Buamim also serves as the Managing Director of Dubai World, as the Chairman of the National General Insurance PJSC and a Board Member of Dubai International Financial Centre.

In previous roles, Mr. Buamim served as Chairman of Emirates Financial Services and Emirates NBD Capital as well as a Board Member of Emirates NBD and Network International.

Mr. Buamim holds a Master of Business Administration (MBA) with honors in Finance from the University of Missouri, Kansas City, United States. He also obtained a Bachelor of Science with Magna Cum Laude in Electrical Engineering from the University of Southern California, Los Angeles.

***Mr. Yahya Saeed Ahmad Lootah***

Mr. Lootah serves as a member of DIB's Board of Directors. Mr. Lootah has over 20 years' experience with S.S. Lootah Group, a leading diversified business based in Dubai which is active across key business sectors ranging from construction, real estate, energy and financial services, applied research, ICT, education, hospitality, media and healthcare. He currently serves as the CEO of the S.S. Lootah Group. Under his leadership, S.S. Lootah Group has received, amongst others, the Mohammed Bin Rashid Business Award and the Dubai Award for Sustainable Transport. In addition, Mr. Lootah is a member of the Board of Directors of the Dubai Chamber of Commerce and Industry, as well as a member of the Board of Trustees of Dubai Medical College and the Advisory Board of the Faculty of Engineering at the American University in Dubai.

Mr. Lootah holds a degree in Civil Architectural Engineering as well as a Master's of Science degree in Engineering from University of Bridgeport, Connecticut.

***Mr. Javier Marin Romano***

Mr. Marin was appointed to DIB's Board of Directors in April 2016. He is an entrepreneur and an investor in technology companies linked to financial services. He also serves as a director in each of the UCV (Spanish University), Instituto per le Opere di Religione (IOR) and Frontier Economics. Prior to this Mr. Marin served as Chief Executive Officer of Banco Santander, senior executive vice-president of Banco Santander and head of private banking, asset management and insurance. He has also been a member of the European Banking Association and the European Financial Services Association and of the board in different Banks, insurance companies and asset managers in several countries in Europe (affiliates of Banco Santander).

Mr. Marin holds a degree in Law and a diploma in Business Administration from the Universidad Pontificia de Comillas in Madrid (Spain). He also obtained his masters in European law in Luxembourg, in banking administration from the Institute International d'Etudes Bancaires (La Joya, California), taxes from the Universidad Pontificia de Comillas (Madrid) and the advanced program of Singularity University (California).

## ***Key Senior Management***

The following table sets out the names of the current senior management of DIB:

<b>Name</b>	<b>Position</b>
Mr. Abdulla Ali Obaid Al Hamli .....	Managing Director
Dr. Adnan Chilwan.....	Group Chief Executive Officer
Mr. Mohamed Abdulla Al Nahdi .....	Deputy CEO – Chief Operation Officer
Mr. Nasser Abdulla Al Awadhi.....	Chief of Consumer Banking
Mr. Naveed Ali.....	Chief of Corporate Banking
Mr. Mohammed Saleem .....	Chief of Treasury
Mr. Abbas Bhujwala.....	Chief Credit Officer
Mr. Anil Kumar Parimoo .....	Chief Risk Officer
Mr. Salman Liaqat.....	Chief of Strategy & Investor Relations
Mr. Sanjay Malhotra.....	Chief Digital & Innovation Officer
Mr. John Macedo.....	Chief Financial Officer

The address of each member of the senior management of DIB is P.O. Box 1080, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the senior management of DIB listed above and their duties to DIB.

Detailed below is brief biographical information on the senior management of DIB.

### ***Mr. Abdulla Ali Obaid Al Hamli***

Please see biographical information provided above for Mr. Al Hamli ("*—Board of Directors*").

### ***Dr. Adnan Chilwan***

Dr. Chilwan currently serves as the Group CEO of DIB.

Dr. Chilwan has an extensive career spanning nearly two decades with reputed conventional and Islamic banks in the region including DIB, Dubai Bank, Commercial Bank of Qatar, Mashreq Bank, Abu Dhabi Islamic Bank and HSBC. Dr. Chilwan represents DIB on the boards of various strategic investments, subsidiaries and associates. He holds the position of President Commissioner at PT Bank Panin Dubai Syariah TBK whilst also serving as the Chairman of DIB Bank Kenya. He is also currently a member of the board of each of Tamweel, Deyaar Development, Liquidity Management Centre Bahrain and Dar Al Sharia.

Dr. Chilwan has been ranked amongst the top three CEOs in the GCC region at the Top CEO Awards in April 2018. In addition, Dr. Chilwan has also been awarded amongst the "Top Indian Leaders in the Arab World 2018" by Forbes Middle East in May 2018.

In 2015, Dr. Chilwan received the "Banking Innovation" Award from Entrepreneur ME at the Indian Innovator Awards 2015 ceremony, the "Outstanding contribution to the Islamic Economy" award by CPI Financial at the 2015 BME Industry Awards and the "Best Islamic Banking CEO, Middle East" at the 2015 Global Brands awards ceremony.

Dr. Chilwan has a PhD and an MBA in Marketing. He is a Certified Islamic Banker (CeIB), a post graduate in Islamic Banking and Insurance and an Associate Fellow Member in the Islamic Finance Professionals Board.

### ***Mr. Mohamed Abdulla Al Nahdi***

Mr. Al Nahdi has served as Deputy CEO – Chief Operation Officer of DIB since July 2008, overseeing the critical support functions of DIB.

Mr. Al Nahdi has over 26 years of leadership experience gained in the banking sector. Before joining DIB, Mr. Al Nahdi was Chief Retail Banking Officer at Dubai Bank. He began his career with HSBC, holding various positions within the personal banking, corporate banking, branches, trade finance, operations and remittances departments of that bank.

Mr. Al Nahdi also serves as a board member of each of Deyaar Development, BoK, Al Tanmia Services Co. and DIB Bank Kenya. He also serves as Vice Chairman of Tamweel and Chairman of Dubai Islamic Financial Services.

He holds a degree in Accountancy and Administration from Baghdad University, Iraq.

***Mr. Nasser Abdulla Al Awadhi***

Mr. Al Awadhi has served as the Chief of Consumer Banking at DIB since March 2018.

Mr. Al Awadhi has over 24 years of multi-functional experience within DIB and its subsidiaries. Prior to being appointed as the Chief of Consumer Banking, Mr. Al Awadhi was the head of the Strategic Relations department at DIB. He has previously also held the roles of Chief Business Officer at Tamweel and Chief Executive Officer at Dubai Islamic Financial Services, a DIB subsidiary.

Mr. Al Awadhi is a UAE national and graduated from Al Ain University, UAE, with a BSc (Hons) in Public Administration and Accounting.

***Mr. Naveed Ali***

Mr. Ali has served as Chief of Corporate Banking at DIB since June 2003.

Mr. Ali has over 24 years of banking experience with both conventional and Islamic banks. Before joining DIB, Mr. Ali was Vice President of the Commercial Banking Group at Mashreq Bank (UAE). He began his career with Habib Credit & Exchange Bank (Pakistan).

Mr. Ali holds a degree in Science from the University of Karachi, Pakistan.

***Mr. Mohammed Saleem***

Mr. Saleem has served as Chief of Treasury at DIB since July 2006.

Mr. Saleem has over 28 years of banking experience with both conventional and Islamic banks, including Standard Chartered Bank (Pakistan and UAE), Société Générale (Bangladesh and Pakistan) and Union National Bank (UAE). Before joining DIB, Mr. Saleem was Treasurer at Standard Chartered Bank (Pakistan).

Mr. Saleem also serves as a board member and Deputy Chairman on the Board of DIB Pakistan.

Mr. Saleem holds a degree in Commerce.

***Mr. Abbas Bhujwala***

Mr. Bhujwala has served as the Chief Credit Officer of DIB since January 2015. Before that he was the Chief Risk Officer of DIB since June 2010 and before that he headed DIB's Credit Approval team and was responsible for corporate and institutional credit. Mr. Bhujwala has over 30 years of banking experience. Before joining DIB, Mr. Bhujwala worked at Faysal Bank and Standard Chartered Bank in the Middle East region, holding various senior positions in both institutions, including head of business and risk management at Faysal Bank and Standard Chartered Bank (Dubai). Mr. Bhujwala holds a degree in Management from the University of Karachi, Pakistan.

Mr. Bhujwala serves as a board member of DIB Pakistan.

***Mr. Anil Kumar Parimoo***

Mr. Parimoo currently serves as the Chief Risk Officer of DIB with overall responsibility for enterprise risk management for DIB. He joined DIB in January 2015.

Mr. Parimoo has 24 years of experience in the banking sector having started his career with the State Bank of India. He has also worked with ABN AMRO Bank, Bank Danamon in Indonesia and more recently with Techcombank in Vietnam as its Group Chief Risk Officer responsible for managing enterprise-wide risks of the bank and its subsidiaries.

Mr. Parimoo has a degree in Science from the University of Kashmir, India. He is a certified associate from the Indian Institute of Bankers and also has risk management certification from the Global Association of Risk Professionals.

***Mr. Salman Liaqat***

Mr. Liaqat serves as Chief of Strategy and Investor Relations since January 2016.

Mr. Liaqat worked with Standard Chartered Bank in their Regional Office for Middle East and South Asia based in the UAE and Standard Chartered Pakistan, holding senior positions including Head of Finance for Pakistan. Prior to his appointment as Chief of Strategy and Investor Relations in January 2016, Mr. Liaqat served as Head of Finance at DIB since September 2012 and Senior Vice President Finance prior to that. Mr. Liaqat has over 25 years of banking experience with both conventional and Islamic banks. Mr. Liaqat holds a Bachelor's degree in Commerce, is a qualified Chartered Accountant and Fellow Member of Institute of Chartered Accountants of Pakistan.

Mr. Liaqat serves as a board member of DIB Pakistan.

***Mr. Sanjay Malhotra***

Mr. Malhotra serves as the Chief Digital & Innovation Officer since March 2018. Prior to this role, he was Chief of Consumer Banking for DIB from February 2015 to February 2018.

Mr. Malhotra holds a Master of Management, an integrated MBA (Finance) & Engineering Degree Program from Birla Institute of Technology & Science, BITS Pilani. He has a wealth of experience spanning over 26 years in consumer banking, having worked with reputed local and international banks such as a Citibank (India), ANZ Grindlays Bank (India), UNB (Abu Dhabi), Arab Bank (Jordan and Dubai), NBK (Kuwait) and National Bank of Oman.

***Mr. John Macedo***

Mr. Macedo was appointed as Chief Financial Officer of DIB in January 2016. Before joining DIB, Mr. Macedo was Chief Financial Officer of Saudi Hollandi Bank (Saudi Arabia) for 8 years and Director – Finance of Standard Bank (South Africa) for 7 years.

Mr. Macedo holds an Executive MBA, a Bachelor of Accounts degree (Honors with distinction), Bachelor of Accounts (Certificate in the Theory of Accounting) with distinction and is a Professional Chartered Accountant of South Africa. He has more than 21 years of experience in the area of finance and audit.

**Fatwa and Sharia Supervisory Board (the Sharia Board)**

The Sharia Board comprises scholars of high repute with extensive experience of and exposure to law, economics and banking systems in various jurisdictions. The Sharia Board is appointed by DIB's shareholders at a general assembly meeting and its responsibilities include supervising the development of new and innovative Shari'a compliant products, issuing Fatwas (Shari'a edicts) on any matter proposed to it by business units of DIB through Dar Al Sharia, ensuring through internal Shari'a auditors that the transactions of DIB are carried out in compliance with the Fatwas issued by the Sharia Board, and providing guidance on any matter referred to it by DIB's management. The Sharia Board is supported by the Sharia

Executive Committee (comprised of the Chairman of the Sharia Board and one other member of the Sharia Board). The Sharia Executive Committee has been mandated to provide Sharia approvals for DIB's new products and financing and investment transactions on behalf of the full Sharia Board. The Sharia Executive Committee meets on a weekly basis (or earlier in case of urgent matters) to provide timely advice or approvals. All such matters are subsequently ratified by the full Sharia Board in its periodical meetings.

The Sharia Board works closely with Dar Al Sharia (a DIB subsidiary established in 2007 and engaged in providing Islamic finance consultancy to the industry) which is responsible for developing new Shari'a compliant products (including their structure, process and documentation), review structure and documentation for sukuk, syndication and fund transactions, and obtaining ongoing guidance and approval from the Sharia Board. Dar Al Sharia is comprised of a number of highly qualified and experienced lawyers, bankers and Sharia scholars with expertise in Islamic banking and finance.

The Sharia Board submits an annual report to the General Assembly of DIB's shareholders and the Board of Directors summarising issues, if any, which have been referred to it, as well as its opinion on DIB's overall functioning during the fiscal year under review. The Sharia Board's annual report is included in DIB's annual audited financial statements.

The following table sets out the names of the current Sharia Board:

<u>Name</u>	<u>Position</u>
Professor Dr. Hussain Hamid Hassan .....	Chairman
Dr. Mohamed Abdul Hakim Zoeir .....	Secretary General
Dr. Muhammad Qaseem.....	Member
Dr. Muhammad Abdulrahim Sultan Al Olama ..	Member
Dr. Youssif Abdullah Saleh Al Shubaily.....	Member

Detailed below is brief biographical information on the members of the Fatwa and Sharia Supervisory Board.

***Professor Dr. Hussain Hamid Hassan***

Dr. Hussain completed his PhD in the Faculty of Sharia from Al Azhar University, Egypt, Master's degree in Comparative Jurisprudence from the University of New York, USA and graduated in Law and Economics from the University of Cairo, Egypt.

Dr. Hussain is a prominent scholar and teacher, having established Islamic universities and Islamic faculties in various parts of the world including Makkah, Islamabad, Kazakhstan and Libya.

For over 50 years, he has been adviser to the Presidents and leaders of various Islamic Republics, including acting as an adviser to Presidents of the Islamic Republic of Pakistan and to the Prime Minister of the Republic of Kyrgyzstan. He is also the President of the United States Muslim Jurists Association.

Besides DIB, Dr. Hussain is the Chairman of the Shari'a supervisory boards of several Islamic financial Institutions including Islamic Development Bank, Ajman Bank, Amlak Finance, Deutsche Bank, Liquidity Management Centre, Dubai Financial Markets, AMAN Takaful Company, Methaq Takaful Insurance Company-Abu Dhabi, Jordan Dubai Islamic Bank, Abu Dhabi Islamic Bank Egypt, Dubai Islamic Bank Pakistan, Bank Al Salam-Bahrain, Bank Sohar-Oman and various other financial institutions. He is also a member of the Sharia Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board, the Fiqh Academy of Muslim World League and the International Fiqh Academy of the Organisation of Islamic Countries.

Dr. Hussain is the author of 21 books and over 400 articles on Islamic *Fiqh*, jurisprudence, Islamic banking and insurance, and frequently presides over Islamic academic and financial conferences, seminars and workshops in different parts of the world. He has supervised the translation of the Holy Quran into Russian and the translation of 200 Islamic books into various languages.

***Dr. Mohamed Abdul Hakim Zoeir***

Dr. Zoeir holds a PhD in Islamic Economics and is a member of the Shari'a boards of many Islamic banks across the Middle East and Africa. He is the author of a number of research papers and studies in the field of Islamic finance and banking.

Dr Zoeir is also Chief Editor of Islamic Economics magazine.

***Dr. Muhammad Qaseem***

Dr. Qaseem holds a PhD (Islamic Studies) from the Faculty of Usul ud Dinis, University of Karachi. He has been a member of the Shari'a boards of many other institutions. Dr. Qaseem has taught various courses for a number of B.A. and M.A. programmes of the International Islamic University, Islamabad.

Dr. Qaseem has produced many academic contributions, articles and literary and translation works.

***Dr. Muhammad Abdulrahim Sultan Al Olama***

Dr. Al Olama holds a PhD in Islamic jurisprudence, is an assistant professor at various universities and is a member of numerous academic committees. He has published a number of articles and reports, in addition to his contributions to seminars and conferences in the Islamic finance arena held around the world.

***Dr. Youssif Abdullah Saleh Al Shubaily***

Dr. Al Shubaily holds a PhD in comparative Fiqh and is a professor in Saudi Arabia. He has contributed and presented numerous courses and training sessions to judges in Saudi Arabia. Dr. Al Shubaily has worked in the Islamic Institution in Washington, served as a member of the Shari'a boards of many other institutions and has more than 17 published reports and research papers.

**Employees (excludes outsourced staff)**

As at 30 September 2018, DIB had 1,782 employees compared to 1,891 employees as at 31 December 2017 and 1,972 employees as at 31 December 2016. As at 30 September 2018, DIB had an Emiratisation level of 44.53 per cent. compared to 44.46 per cent. as at 31 December 2017 and 44.22 per cent. as at 31 December 2016. DIB's Emiratisation level is in line with the UAE federal government's minimum threshold for Emirati employees as set out in the new UAE federal policy on Emiratisation, promulgated by UAE Cabinet Decree number 3/10/267 of 2015, dated 25 October 2015. DIB had a staff turnover of 8 per cent. for the nine month period between 30 September 2018 and 31 December 2017 and a staff turnover of 13 per cent. for the twelve month period between 31 December 2017 and 31 December 2016.



## THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

### Summary

Within the UAE as a whole, the financial and insurance activities sector was estimated to have contributed approximately 6.4 per cent. of real GDP in 2016, according to preliminary estimates published by the Federal Competitiveness and Statistics Authority.

While UAE banks continue to be profitable, they have been affected by the liquidity issues that have been experienced by banks globally since the second half of 2008. According to the Central Bank, the aggregate loans and advances extended to residents and non-residents of the UAE at 30 June 2018 were AED 1,622 billion (preliminary data) compared to AED 1,581 at 31 December 2017, AED 1,575 billion at 31 December 2016 and AED 1,485 billion at 31 December 2015.

The table below provides a statistical analysis of the UAE banking sector as at 31 December 2016, 31 December 2017 and 30 June 2018.

	<u>2016</u>	<u>2017</u>	<u>30 June 2018<sup>(5)</sup></u>
Total number of banks.....	49	49	49
Total number of branches <sup>(1)</sup> .....	931	853	836
Total number of employees <sup>(2)</sup> .....	36,971	36,367	35,435
Total credit facilities <sup>(3)</sup> (AED billion).....	1,554	1,580	1,622.3
Total deposits <sup>(4)</sup> (AED billion).....	1,562.9	1627.3	1684.3
Total assets (AED billion).....	2,593	2,695	2,748.9

Notes:

- (1) Excluding pay offices and electronic banking service units.
- (2) Excluding auxiliary staff.
- (3) Net of provisions and interest expense.
- (4) Excluding inter-bank deposits.
- (5) The information for 30 June 2018 is preliminary.

Source: Central Bank

### Supervision of Banks

Banking and financial institutions established or operating in the UAE are subject to supervision and regulation by the competent federal authorities, principally the Central Bank and the SCA, as well as the competent local authority in the Emirate in which they are established or operate. The Central Bank was established under Union Law No. (10) of 1980 Concerning the Central Bank, the Monetary System and Organisation of Banking (the **Union Law**), and the SCA was established by UAE Federal Law No. 4 of 2000.

While the responsibility for regulating and exercising oversight of banks and financial institutions in the UAE has historically rested primarily with the Central Bank, the UAE has begun to transition towards a dual regulatory model, with the Central Bank and SCA discharging different responsibilities. Under this model, the Central Bank will continue to be responsible for monetary policy, macro-economic stability, systemic risk management and the licensing of local banks and branches of foreign banks operating in the UAE. In particular, the Central Bank will remain the principal authority responsible for setting and supervising bank capital adequacy requirements. The Central Bank will also retain oversight for overseeing anti-money laundering and anti-terrorism compliance by banks and financial institutions, which is currently handled through its Anti-Money Laundering and Suspicious Cases Unit which has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for co-ordinating anti-

money laundering policy, and a National Anti-Terror Committee (the **NATC**), which serves as a UAE inter-agency liaison.

The Central Bank does not act as a lender of last resort, a role which tends to fall on the individual Emirates. However, the introduction by the Central Bank in 2014 of the Interim Marginal Lending Facility (**IMLF**) was expected to enable non-Islamic UAE banks to use certain rated or UAE federal government entity issued assets as collateral to access Central Bank liquidity overnight in order to help their liquidity management.

The SCA, whose role has historically been limited to being the UAE's federal securities regulator, is expected to become increasingly active in more commercial and consumer-oriented areas previously regulated by the Central Bank, including exercising oversight over financial markets and consumer protection in financial services generally, including banking services and the establishment and marketing of investment products in the UAE. The SCA also has responsibility for oversight of certain day-to-day corporate law matters affecting public joint stock companies (including DIB) incorporated in the UAE, such as the conduct of general assembly meetings and the passing of shareholder resolutions.

Monitoring by the Central Bank is undertaken by way of regular inspections of banks and their records and the requirement for regular submission to the Central Bank of data, including, but not limited to, funds on deposit, loans and mortgages, liquidity status and anti-money laundering measures. DIB submits monthly, quarterly and annual reports to the Banking Supervision and Examination Department of the Central Bank. In addition, DIB's Memorandum and Articles of Association and any amendments thereto, its audited financial statements, its distribution of dividends and certain other documents are all submitted for approval by the Central Bank.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the Central Bank to issue government debt. However, the Central Bank does issue certificates of deposit (**CDs**) to the banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the Central Bank at any time. In 2007, the Central Bank introduced an auction system and allowed U.S. dollar drawings against AED-denominated CD holdings.

### **Structure of the Banking System**

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as local banks, of which there were 22 as at 30 June 2018 (according to the Central Bank), are required to be public shareholding companies with a minimum share capital of AED 40 million.

Licensed foreign commercial banks, of which there were 27 as at 30 June 2018 (according to the Central Bank), need to demonstrate that at least AED 40 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses financial institutions (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities but are not permitted to accept funds in the form of deposits), investment banks (institutions which may not accept deposits with maturities of less than two years but which may borrow from their head office or other banks and the financial markets) and financial and monetary intermediaries (money and stock brokers).

### **Characteristics of the Banking System**

#### ***Limited Progress towards Consolidation***

The UAE may be, and has historically been, seen as being over-banked with 49 different banks (comprising 22 locally incorporated banks and 27 foreign banks) licensed to operate inside the UAE as at 30 June 2018 (source: the Central Bank), serving a population estimated to be in the region of approximately 9.4 million people at the end of 2016 (source: Statistical Yearbook 2017 edition, United Nations Department of Economic and Social Affairs, Statistics Division). Traditionally there has been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial

difficulties. The federal structure of the country has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. However, in October 2007, the UAE's second and fourth largest banks at the time, Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C., merged. In July 2016, the board of directors of each of National Bank of Abu Dhabi P.J.S.C. and First Gulf Bank P.J.S.C. voted unanimously to recommend to the relevant shareholders of each institution a merger of the two Abu Dhabi-listed banks. This recommendation was approved by the shareholders of each of the banks in December 2016 and the merger became effective in March 2017.

In addition, in May 2011, Dubai Bank P.J.S.C. (**Dubai Bank**) was taken over by the Government of Dubai. The objective of this was to ensure the preservation of all of Dubai Bank's depositors' interests and the takeover was designed to ensure that Dubai Bank's business continued uninterrupted while options for the bank's future, whether to be run on a standalone basis or to be potentially merged with another Government of Dubai-owned bank, were assessed. In December 2012, Emirates Islamic (**EI**), a subsidiary of ENBD, completed its acquisition of Dubai Bank, and Dubai Bank is now a fully-owned subsidiary of EI.

The relatively small size of most UAE banks has sometimes hindered them from competing for large financing deals in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as information technology system development. The advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, possibly even creating banks with pan-Gulf franchises.

### ***Domestic Focus***

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross-border business. With a large number of players competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

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

### ***Limited Foreign Ownership***

In 1987, the Federal Government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the Central Bank following an agreement to allow market access to banks of GCC state origin in line with continuing efforts in regional integration. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

### ***Exposure to the Oil Sector***

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements.

### ***Islamic Banking***

Shari'a law forbids the charging of interest on any financial transaction. A number of banks, including DIB, have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest.

The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include DIB, Abu Dhabi Islamic Bank, EI, Noor Bank, Al Hilal Bank, Sharjah Islamic Bank, Ajman Bank, Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co. (P.S.C.) (Salama), Tamweel and Amlak Finance. The number of Islamic finance institutions continues to rise, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer Shari'a compliant products.

### ***Legal Environment***

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

### ***Lack of Developed Capital Markets***

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the Abu Dhabi Securities Exchange (both of which were established in 2000), have grown rapidly over recent years and have benefitted from the inclusion of the UAE in the MSCI Emerging Markets Index in 2014, they continue to experience bouts of volatility.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. Nasdaq Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In May 2011, the DFM acquired two thirds of the shares in Nasdaq Dubai, in accordance with plans announced in December 2009 to consolidate markets. The two markets linked their platforms in July 2010, through the outsourcing by Nasdaq Dubai of its trading, clearing, settlement and custody functions for equities to DFM's systems. Responsibility for maintaining Nasdaq Dubai's Official List was transferred to the Dubai Financial Services Authority with effect from 1 October 2011.

The DFM and ADX were upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014 which could lead to an increase in interest and investment from international institutional investors in the Emirate of Dubai.

### ***Government Involvement***

Most of the larger banks in the UAE have some degree of government ownership. Privatisation, though advocated in principle, has been slow to happen in practice. The state is also the banking sector's largest customer, in terms of both deposits and project financing.

### ***Expatriate Workforce***

The UAE economy is reliant on overseas labour, with expatriates making up approximately 81 per cent. of the workforce according to estimates published by Statistics Centre – Abu Dhabi in mid-2017. The banking

sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the country has been an increasing concern for the Federal Government and, as part of a policy of Emiratisation, banks were instructed, in 1999, to increase the percentage of UAE nationals on their payroll to 40 per cent. by 2009. Generally, banks have been moving closer to, or have met, this target, providing better training and compensation for UAE nationals.

### ***Accounting Standards***

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (IAS)). Pursuant to Central Bank Circular No. 162/2018 dated 28 August 2018 all UAE banks are also required to prepare their financial statements in accordance with the instructions of the Central Bank. Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

### **Recent Trends in Banking**

#### ***Liquidity***

The Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress. Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. Together, these deposits constituted approximately 72.9 per cent. of total deposits of the UAE banking sector as at 30 June 2018, excluding interbank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements. The UAE federal government and the public sector constituted approximately 26.3 per cent. of total deposits within the UAE banking sector as at 30 June 2018. Non-resident sources contributed approximately 11.3 per cent. as at the same date (source: Central Bank Banking & Monetary Statistics Bulletin September 2018).

There is currently no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number of banks were restructured by the authorities and, in May 2011, Dubai Bank was taken over by the Government of Dubai. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Thereafter, in May 2009, the Federal National Council approved a draft law guaranteeing federal deposits, although the law is awaiting the approval of the President of the UAE and is therefore yet to be enacted. There can be no assurance that any draft law will subsequently be passed. As such, until such time as the law is passed, there is no guaranteed governmental support of deposits with banks.

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

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE (including DIB) have converted the UAE federal government deposits made with them into Tier 2 capital.

During 2008, Abu Dhabi government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed, in aggregate, a sum of AED 16.0 billion in subordinated Tier 1 capital securities issued by the then five largest Abu Dhabi banks: National Bank of Abu Dhabi (now First Abu Dhabi Bank following its merger with First Gulf Bank), Abu Dhabi Commercial Bank, First Gulf Bank (now First Abu Dhabi Bank following its merger with the National Bank of Abu Dhabi), Union National Bank and Abu Dhabi Islamic Bank.

A press statement issued by the Department of Finance of the Government of Dubai on 25 February 2009 announced that it had established a U.S.\$20.0 billion funding programme and that the first tranche, valued at U.S.\$10.0 billion with a five-year tenure and paying a coupon rate of 4 per cent. per annum, had been issued in its entirety to the Central Bank. In November 2009, the Department of Finance of the Government of Dubai announced that a second U.S.\$5.0 billion tranche was fully subscribed equally by National Bank of Abu Dhabi and Al Hilal Bank.

The Central Bank issued guidelines on the implementation of the Basel III reforms entitled "Liquidity Regulations at Banks" in July 2012 to increase regulations on how banks in the UAE manage liquidity. The Central Bank has since issued Central Bank Notice No. 33/2015 on liquidity requirements on 27 May 2015, which entered into force in the UAE on 1 July 2015 (replacing Central Bank Notice No. 30/2012)) (the **Liquidity Notice**). The Liquidity Notice includes a set of qualitative, quantitative and reporting requirements for UAE banks on liquidity risk management. 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 Basel Committee 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 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 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 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 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 below) come into effect. These include the following:

	<b>Ratio</b>	<b>Applicability Period</b>
Interim ratios:	Eligible Liquid Assets Ratio (ELAR $\geq$ 10%)	1 July 2015 until LCR implementation for approved banks
	Advances to Stable Resources Ratio (ASRR $<$ 100%)	30 September 1986 until NSFR implementation for approved banks
Basel III ratios:	Liquidity Coverage Ratio (LCR $>$ 100%)	Effective transition from 1 January 2016 for approved banks
	Net Stable Funding Ratio (NSFR $<$ 100%)	Effective January 2018 for approved banks

The Central Bank's eligible liquid assets ratio (**ELAR**) is an interim ratio which was designed to apply pending the liquidity coverage ratio (**LCR**) becoming effective (as described below). Under the ELAR, UAE banks are 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 Central Bank, the Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also includes the option for UAE banks to apply to the Central Bank to move to assessment of bank liquidity as against the LCR (and away from assessment against the interim ELAR), with effect from 1 January 2016. Any UAE banks taking up this option were required to comply with the ELAR until 1 January 2016, after which date they are required to move to compliance with the LCR (subject to receipt of Central Bank approval).

Under ELAR, banks must hold an amount equivalent of at least 10 per cent. (or some other percentage as set by the Central Bank) of their total on balance sheet liabilities at all times in eligible assets (listed below). This ratio will be subject to upward revision from time to time either as a result of Central Bank policy or as a result of a recalibration exercise when assessing the impact of the LCR.

Eligible assets under ELAR include:

- account balances at the Central Bank;
- physical cash at the bank;
- Central Bank CDs;
- UAE federal government bonds and sukuk;
- reserve requirements;
- UAE local government and public sector entities' publicly traded debt securities that are assigned a 0 per cent. credit risk weighting under the Basel II standardised approach (limited to a maximum of 20 per cent. of eligible liquid assets); and
- foreign, sovereign debt instruments or instruments issued by their central banks or multilateral development banks, all of which receive a 0 per cent. credit risk weighting under the Basel II standardised approach (limited to a maximum of 15 per cent. of eligible liquid assets).

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 eligible liquid assets at the minimum LCR determined by the Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible liquid assets for this purpose.

As part of the Central Bank's gradual implementation of the Basel III reforms in the UAE, the 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 Advances to Stable Resources Ratio (**ASRR**) is an interim ratio which applies to UAE banks until they become subject to the NSFR (as described below). The ASRR recognises both the actual uses as well as the likely uses of funds in terms of 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.

The Net Stable Funding Ratio (**NSFR**) is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It came into effect in January 2018, but only applies to UAE banks which have moved to assessment under the LCR. The NSFR also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the 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 NSFR standard.



### *Interim Marginal Lending Facility*

On 15 April 2014, the Central Bank introduced the IMLF which allows non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF lets lenders use certain assets as collateral to obtain one-day overnight loans from the Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral, but must carry a minimum 'A' credit rating from one of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE "Repo Rate".

### *Capital Adequacy*

All UAE 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 Central Bank Circular No. 27/2009. Since 1993, the Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the Central Bank announced amendments to its capital adequacy requirements stating that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the Central Bank required banks operating in the UAE to increase their Tier 1 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. The circular stated that the new requirements, which were effective on 31 August 2009, apply to national and foreign banks. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the 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 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 are deducted from regulatory capital.

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.; claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.; and GCC sovereign debt is risk-weighted at zero per cent.

All dividends paid by UAE banks have to be authorised in advance by the Central Bank. Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. 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 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. However, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. 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 non-viable, 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.

The Basel III Regulations and the Accompanying Standards (each as defined below) confirm that the Non-Viability Requirement is a pre-requisite for any capital instruments issued by UAE banks to achieve Regulatory Capital classification from the 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. See *"Risk Factors – Risks relating to the Certificates – Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down upon the occurrence of a Non-Viability Event"*.

In May 2016, the Central Bank published a draft consultation document entitled "Capital Adequacy Regulation" (the **Consultation Document**), detailing the Basel III requirements expected to be followed by banks operating in the UAE, once the applicable legislation has been implemented in the UAE. In particular, the Consultation Document outlines the general quantitative requirements expected to be followed by UAE banks, with regards to Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (together, **Regulatory Capital**). It also outlines, amongst other things, the Regulatory Capital ratios that UAE banks will be expected to follow and adhere to, the individual UAE bank minimum capital conservation standards and the required disclosure standards expected to be made available by UAE banks with respect to Regulatory Capital.

On 23 February 2017, UAE Central Bank published the "Regulations re Capital Adequacy" (the **Basel III Regulations**) in the Official Gazette issue 612, which were effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the Consultation Document. The Basel III Regulations are supported by the accompanying standards which were published by the Central Bank on 17 January 2018 in the Circular No. 28/2018 entitled "Standard re Capital Supply" (the **Accompanying Standards**). The Accompanying Standards elaborate on the supervisory expectations of the Central Bank with respect to the relevant Basel III capital adequacy requirements. Banks which are classified as domestic systemically important banks by the Central Bank will be required to hold additional capital buffers as notified to it by the Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a supervisory review and evaluation process of the Central Bank.

The Central Bank's Standard Re Tier Capital Instruments dated 29 March 2018 (the **TCI Standard**) requires that a periodic distribution on an additional tier 1 instrument should be cancelled if the relevant UAE bank does not have sufficient "Distributable Items" on the relevant date for payment of (i) such periodic distribution and (ii) certain other payment obligations (see "*Risk Factors – Risks relating to the Certificates – Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative*" for details of how this restriction applies in the context of the Certificates).

### **Reserve Requirements**

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

### **Large Exposures**

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

They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries. The Central Bank defines large exposures as any funded or unfunded on-or-off balance sheet exposure to a single borrower or group of related borrowers exceeding prescribed limits. Exposures above these limits are subject to Central Bank approval.

On 17 November 2013, the Central Bank published a circular (the **2013 Large Exposures Limits Circular**) amending certain large exposure limits. Large exposures are defined as a percentage of the bank's capital base calculated under Basel II. The 2013 Large Exposure Limits Circular was effective as of the date that was one month from the date of its publication in the official gazette. UAE banks were required to implement the 2013 Large Exposures Limits Circular within five years of its effective date. UAE banks were also required to submit a comprehensive plan to comply with the 2013 Large Exposure Limits Circular within three months of its publication. Set out below is a table showing a summary of the changes introduced by the 2013 Large Exposure Limits Circular:

	<b>New Limit</b>		<b>Old Limit</b>	
	<b>Individual</b>	<b>Aggregate</b>	<b>Individual</b>	<b>Aggregate</b>
	<i>(percentage)</i>			
UAE Federal Government and their non-commercial entities .....	N/A	N/A	Exempt	Exempt
UAE local Government .....	N/A	100	Exempt	Exempt
UAE local Government non-commercial entities.....	25	100	Exempt	Exempt
Commercial entities of federal government and UAE local governments.....	25	100	25	None
Single borrowers or a group of related borrowers	25	N/A	7	N/A
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

In addition, the Central Bank lending limits also require that:

- no commercial bank can hold shares or bonds issued by commercial companies in excess of 25 per cent. of the bank's shareholders' funds; and

- no bank is permitted to grant loans or advances for the purpose of funding commercial or residential real estate construction in an amount exceeding 20 per cent. of its total deposits, unless it has prior authorisation from the Central Bank as an institution specialising in this type of business.

In February 2011, the Central Bank issued regulations in relation to the retail banking sector, aimed at controlling lending activities and excessive charges by banks, whilst also protecting banks by regulating lending and encouraging banks to carry out proper due diligence on potential borrowers. In addition, regulations governing personal loans and financing advances were brought into effect on 1 May 2011. These regulations cap personal loans and financing advances at 20 times a borrower's monthly salary and stipulate repayment of such personal financing within 48 months.

### ***Mortgage Cap***

Central Bank notice no. 31/2013 was published in the UAE official gazette on 28 November 2013 and entered into force on 28 December 2013. Notice no. 31/2013 (which supersedes Central Bank notice no. 3871/2012) specifies that the amount of mortgage loans for non-UAE nationals should not exceed 75 per cent. of the property value for the purchase of a first home with a value of less than or equal to AED 5 million and, for the purchase of a first home with a value greater than AED 5 million, the amount of mortgage loans should not exceed 65 per cent. of the property value. For purchases of second and subsequent homes, the limit for non-UAE 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 the purchase of a first home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent home purchase (irrespective of the value of the property).

### ***Provisions for Loan Losses***

Since 2009, a number of UAE banks have announced exposures to well-known GCC-based companies which have become insolvent or have been or are being restructured. These include the Saad and Algozaibi groups of the Kingdom of Saudi Arabia and Tabreed and the Dubai World Group in the UAE. As a result of declining economic conditions since late 2008 and the increasing number of insolvencies and restructurings, the amount of non-performing loans in the UAE banking system has increased steadily, with the Central Bank, in its September 2012 Financial Stability Review, estimating non-performing loans of approximately AED 50 billion at 31 December 2009, approximately AED 65 billion at 31 December 2010 and approximately 82 billion at 31 December 2011. According to the Financial Stability Review, the total specific provisions and interest in suspense of banks in the UAE amounted to approximately AED 55 billion at 31 December 2011, giving rise to a specific provision coverage ratio at that date of approximately 67 per cent.

The Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent., respectively, for retail accounts between 90 and 180 days past due and for corporate accounts after the exercising of mature judgment. Any loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

In November 2010, the Central Bank published a set of rules making it mandatory for banks and financial institutions to make provisions for their impaired loans on a quarterly basis (banks had previously written-off non-performing/impaired loans from their books after all legal options for recovery have been exhausted). The new guidelines also prescribe specific provisions for three categories of impaired loans and stipulate that lenders should build up general provisions equal to 1.5 per cent. of customer credit risk-weighted assets over a period of four years through to December 2014 and are intended to improve transparency within the banking industry in accordance with Basel Committee standards.

Banks in the UAE generally do not write-off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans carried on the balance sheets of UAE banks when compared to banks operating in other economies.

In this context, the beginning of the year saw the formal adoption in the UAE of IFRS 9 for reporting periods commencing on 1 January 2018. IFRS 9 replaces the IAS 39 "incurred loss" model and introduced an "expected credit loss" 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. As at 1 January 2018, the initial transitional impact from IAS 39 to IFRS 9 was assessed by each UAE bank. Banks elected to record the initial transitional impact in the consolidated statement of changes in equity, following which the impact has been and will be recorded to each bank's consolidated income statement. Whilst the Central Bank requires banks to assess specific and collective expected credit losses under IFRS 9, it also requires banks to recognise any shortfall in collective and specific provisions, respectively, when compared with 1.5 per cent. of credit risk weighted assets to be appropriated from retained earnings and transferred to non-distributable regulatory credit risk reserves.

### **Establishing a Credit Bureau in the UAE**

Al Etihad Credit Bureau (**AECB**) is a federal government organisation that collects credit data, information and financial commitments from banks and financial institutions to provide accurate credit reports to individuals, financial institutions and companies in the UAE. AECB was established by the UAE federal government in February 2012. 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 (as DIB has done) and/or made successful initial data submissions to AECB by the time AECB commenced operations in 2014. The implementation of regulations for the sharing of credit report data and the commercial operation of the UAE's first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

In June 2018, the Central Bank published its "Risk Management Regulation" and "Risk Management Standards" for UAE banks. The purpose of these regulations and standards is to establish a prudential framework for risk management in banks and to strengthen risk management across the banking sector. The areas covered by these standards are (a) risk management function, (b) risk measurement and use of models, (c) stress testing, (d) information systems, (e) strategic and operational decisions, (f) group risk management, (g) disclosures, and (h) Islamic banking. For details of DIB's implementation of these regulations and standards, please see the "*Description of Dubai Islamic Bank PJSC – Risk Management – Recent developments*" section of this Prospectus.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection by Certificateholders at the offices of the Principal Paying Agent (as defined in the Conditions).*

### **Declaration of Trust**

The Declaration of Trust will be entered into on 22 January 2019 between DIB, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets will comprise (i) the cash proceeds of the issuance of the Certificates pending application thereof in accordance with the terms of the Transaction Documents; (ii) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets; (ii) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by DIB (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and (iii) all amounts standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

The Declaration of Trust shall provide that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available therefor from the Trust Assets, subject to the priority of payments set out in Condition 5.3. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

- (a) hold the Trust Assets on trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust and the Conditions.

In the Declaration of Trust, the Trustee shall irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including but not limited to the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the rights of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the provisions of the Declaration of Trust and the Conditions. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject to certain provisions of the Declaration of Trust, shall not affect the Trustee's continuing role and obligations as trustee.

Pursuant to the Declaration of Trust:

- (a) if a DIB Event occurs and a Dissolution Notice is delivered by the Delegate to the Trustee, the Delegate may at its discretion, or shall, if so requested in writing by Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding, in each case subject to Condition 12.3(e)(i) take one or more of the following steps: (i) institute any steps, actions or proceedings for the winding-up of DIB and/or (ii) prove in the winding-up of DIB and/or (iii) institute steps, actions or proceedings for the bankruptcy of DIB; and/or (iv) claim in the liquidation of DIB and/or (v) take such other steps, actions or proceedings which, under the laws of the UAE, have an analogous effect to the actions referred to (i) to (iv) above, in each case for (subject to the provisos contained in Condition 12.3(a), all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents); and
- (b) without prejudice to Conditions 12.1, 12.3 and the provisions of clause 17 of the Declaration of Trust, the Trustee (or the Delegate) may at its discretion or the Delegate shall if so requested in writing by Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding and without further notice (subject in each case to Condition 12.3(e)(i)) institute such steps, actions or proceedings against DIB, and the Delegate may at its discretion and without further notice institute such steps, actions or proceedings against the Trustee, as it may think fit to enforce any term or condition binding on DIB or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of DIB under or arising from the Transaction Documents, including, without limitation, payment of any principal or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations) including, without limitation, any failure by DIB to procure the substitution of the Trustee in the circumstances described in Condition 12.2, and in no event shall DIB, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents.

A Transaction Account will be established in London in the name of the Trustee. Monies received in the Transaction Account will, *inter alia*, comprise payments of amounts due to the Trustee under the Mudaraba Agreement immediately prior to each Periodic Distribution Date (see "*Summary of the Principal Transaction Documents – Mudaraba Agreement*" below). The Declaration of Trust shall provide that all monies credited to the Transaction Account from time to time will be applied in the order of priority set out in Condition 5.3.

### **Mudaraba Agreement**

The Mudaraba Agreement will be entered into on 22 January 2019 between the Trustee (as Rab-al-Maal) and DIB (as Mudareb) and will be governed by English law.

The Mudaraba will commence on the date of payment of the Mudaraba Capital to the Mudareb and will end (i) on the date on which all, but not some only, of the Certificates are redeemed in accordance with the Conditions following the final constructive liquidation of the Mudaraba in accordance with the terms of the Mudaraba Agreement (the **Mudaraba End Date**) or (ii) (if earlier) (A) in the case of a Write-down resulting in the reduction of the Prevailing Face Amount of each Certificate then outstanding to nil, on the Non-Viability Event Write-down Date or (B) on the date on which any Relevant Obligation is due and on such payment date any of the Solvency Conditions are not satisfied or a bankruptcy order in respect of the Mudareb has been issued by a court in the UAE.

Pursuant to the Mudaraba Agreement the proceeds of the issue of the Certificates will be contributed by the Trustee to the Mudareb and shall form the Mudaraba Capital. The Mudaraba Capital shall be invested by the Mudareb on an unrestricted co-mingling basis in its general business activities carried out through the general mudaraba pool of DIB comprising: (i) DIB's shareholders' equity; (ii) proceeds of all current savings

and investment deposit accounts with DIB; (iii) any other source of funds included in the General Mudaraba Pool by DIB from time to time; and (iv) following contribution of the Mudaraba Capital on the commencement date of the Mudaraba, the Mudaraba Capital (the **General Mudaraba Pool**) in accordance with the investment plan prepared by the Mudareb and scheduled to the Mudaraba Agreement (the **Investment Plan**). The Mudareb will acknowledge and agree in the Mudaraba Agreement that the Investment Plan was prepared by it with due skill, care and attention, and acknowledge that the Trustee has entered into the Mudaraba and the Mudaraba Agreement in reliance on the Investment Plan.

The Mudareb is expressly authorised to co-mingle any of its own assets from time to time with the Mudaraba Assets during the Mudaraba Term on a basis proportionate to the rights and obligations of holders of equity of DIB, provided that prior to the calculation of any Mudaraba Profit or Final Mudaraba Profit the Mudareb shall deduct a proportion of any profit earned for its own account.

The Mudaraba Agreement provides that the profit (if any) generated by the Mudaraba will be distributed by the Mudareb on each Mudaraba Profit Distribution Date on the basis of a constructive liquidation of the Mudaraba by the Mudareb in accordance with the following profit sharing ratio:

- (a) the Trustee (as Rab-al-Maal) 90 per cent; and
- (b) the Mudareb 10 per cent.

If the Mudareb elects to make a payment of Mudaraba Profit or Final Mudaraba Profit is otherwise payable pursuant to the Mudaraba Agreement, and the Trustee's share of the Mudaraba Profit (the **Rab-al-Maal Mudaraba Profit**) or the Trustee's share of the Final Mudaraba Profit (the **Rab-al-Maal Final Mudaraba Profit**) (as applicable) payable to the Trustee is (i) greater than the then applicable Periodic Distribution Amount, the amount of any excess shall be credited to a reserve account (the **Mudaraba Reserve**) for and on behalf of the Rab-al-Maal and the Rab-al-Maal Mudaraba Profit or the Rab-al-Maal Final Mudaraba Profit (as applicable) payable to the Trustee shall be reduced accordingly; or (ii) less than the then applicable Periodic Distribution Amount, the Mudareb shall first utilise any amounts standing to the credit of the Mudaraba Reserve (after re-crediting amounts to the Mudaraba Reserve pursuant to the Mudaraba Agreement) and, if a shortfall still exists, it may (at its sole discretion) elect (but shall not be obliged) to make one or more payments from its own cash resources in order to cover such shortfall. If the Mudareb elects to make payments from its own cash resources in order to cover such shortfall, it shall be entitled to recover such amounts at a later date from the Mudaraba Reserve.

The Mudareb shall be entitled (at its sole discretion) to deduct amounts standing to the credit of the Mudaraba Reserve at any time prior to the Mudaraba End Date and to use such amounts for its own purposes provided that such amounts shall be re-credited by it to the Mudaraba Reserve if so required to fund a shortfall pursuant to the circumstance referred to above.

*The Mudaraba Agreement does not require the Mudareb to make payments to the Trustee of amounts equal to, or sufficient to enable the Trustee to pay, any amounts due under the Certificates irrespective of the amount of Mudaraba Profit generated by the Mudaraba Assets at the relevant time or (as the case may be) irrespective of the amount of Dissolution Mudaraba Capital generated by any liquidation of the Mudaraba, and the Trustee acknowledges in the Mudaraba Agreement that there is no guarantee of any return from the Mudaraba Assets.*

If the Mudareb makes a Non-Payment Election or a Non-Payment Event occurs, then the Mudareb shall give notice to the Trustee, the Principal Paying Agent, the Delegate and the Certificateholders, in each case providing details of such Non-Payment Election or Non-Payment Event in accordance with the notice periods set out in the Mudaraba Agreement. In the absence of notice of such Non-Payment Election or a Non-Payment Event, as the case may be, having been given in accordance with the Mudaraba Agreement, the fact of non-payment of the relevant Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, respectively, shall be evidence of the occurrence of a Non-Payment Election or Non-Payment Event, as the case may be. The Trustee shall



have no claim in respect of any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit due but not paid as a result of either (in the case of Rab-al-Maal Mudaraba Profit only) a Non-Payment Election or (in the case of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit) a Non-Payment Event (in each case irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given) and such non-payment in such circumstance will not constitute a Dissolution Event. Any such Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit which is not paid to the Trustee in such circumstances shall be credited by the Mudareb to the Mudaraba Reserve, and the Mudareb shall be entitled to (at its sole discretion) to deduct amounts standing to the credit of the Mudaraba Reserve at any time prior to the Mudaraba End Date and to use such amounts for its own purposes provided that such amounts shall be re-credited by it to the Mudaraba Reserve if so required to fund a shortfall pursuant to the circumstance referred to above.

If any amount of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit is not paid as a consequence of a Non-Payment Election or Non-Payment Event (the **Dividend Stopper Date**), the Mudareb shall be prohibited from declaring or paying certain distributions or dividends, declaring or paying profit or other distributions on certain of its securities, or redeeming, purchasing, cancelling, reducing or otherwise acquiring certain of its share capital and securities, in each case unless or until the next following payment of Rab-al-Maal Mudaraba Profit or, as the case may be, Rab-al-Maal Final Mudaraba Profit following a Dividend Stopper Date, is made in full to the Trustee following such Non-Payment Election or Non-Payment Event (or an amount equal to that amount has been duly set aside or provided for in full for the benefit of the Trustee).

Subject to certain conditions as set out in the Mudaraba Agreement, the Mudareb may (in its sole discretion) liquidate the Mudaraba in whole, but not in part, on the basis of a final constructive liquidation of the Mudaraba in the following circumstances:

- (a) on the First Call Date or any Periodic Distribution Date thereafter by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate; or
- (b) on any date, on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate:
  - (i) upon the occurrence of a Tax Event; or
  - (ii) upon the occurrence of a Capital Event.

If the Mudareb exercises its option to liquidate in accordance with paragraph (a) or (b)(i) above and the capital to be returned to the Trustee which would be generated upon such liquidation (the **Dissolution Mudaraba Capital**) is less than the Mudaraba Capital, the Mudareb shall either continue investing the Dissolution Mudaraba Capital in the Mudaraba, and accordingly no distribution of the liquidation proceeds shall occur, or shall indemnify the Trustee in respect of such shortfall and shall pay an amount equal to the aggregate of the Dissolution Mudaraba Capital and such shortfall to the Trustee in which case there shall be a final constructive liquidation of the Mudaraba.

If the Mudareb exercises its option to liquidate in accordance with paragraph (b)(ii) above and the Dissolution Mudaraba Capital which would be generated upon such liquidation is less than the Mudaraba Capital plus the Capital Event Profit Amount, the Mudareb shall either continue investing the Dissolution Mudaraba Capital in the Mudaraba, and accordingly no distribution of the liquidation proceeds shall occur, or shall indemnify the Trustee in respect of such shortfall and shall pay an amount equal to the aggregate of the liquidation proceeds and such shortfall to the Trustee in which case there shall be a final constructive liquidation of the Mudaraba.

Under the terms of the Mudaraba Agreement, the Mudaraba will automatically be liquidated in whole but not in part if at any time an order is made, or an effective resolution is passed, for the winding-up, bankruptcy, dissolution or liquidation (or other analogous event) of the Mudareb and/or if a DIB Event occurs and a

Dissolution Notice is delivered pursuant to Condition 12.1. The Mudareb acknowledges under the Mudaraba Agreement that the Trustee shall in such case be entitled to claim for all amounts due in accordance with the terms of the Mudaraba Agreement in such winding-up, bankruptcy, dissolution or liquidation (or analogous event) subject to certain conditions being satisfied.

The Mudaraba Agreement also provides that if a Non-Viability Event occurs at any time on or after the Effective Date, a Write-down will take place. In the case of a Write-down resulting in:

- (a) the partial reduction of the Prevailing Face Amount of each Certificate then outstanding, the Mudaraba Capital shall be reduced by the relevant Write-down Amount with effect from the Non-Viability Event Write-down Date; and
- (b) the reduction of the Prevailing Face Amount of each Certificate then outstanding to nil, the Mudaraba Agreement will be automatically terminated with effect from the Non-Viability Event Write-down Date and the Trustee shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets.

The Mudareb and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by DIB to be varied upon the occurrence of a Tax Event or a Capital Event pursuant to the Conditions, to take such steps and make such variations to the Mudaraba Agreement as are necessary to ensure that the Certificates become or, as appropriate, remain Qualifying Tier 1 Instruments.

The Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by (i) the Mudareb's breach of the Mudaraba Agreement or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

The Mudareb shall exercise its rights, powers and discretions under the Mudaraba Agreement and take such action as it deems appropriate in accordance with material applicable laws, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to Shari'a.

Under the Mudaraba Agreement, the Trustee and the Mudareb agree that, on the Mudaraba End Date, the Mudareb will calculate and distribute the Final Mudaraba Profit (if any) in accordance with the Mudaraba Agreement and in doing so: (i) the Rab-al-Maal Final Mudaraba Profit payable to the Trustee will (if generated) be an amount equal to the final Periodic Distribution Amount, provided however that payment of the same shall be prohibited in circumstances where a Non-Payment Event has occurred or where a Non-Payment Event will occur as a result of such payment; and (ii) subject to the Mudaraba Agreement, the balance of amounts standing to the credit of the Mudaraba Reserve, after paying all amounts due to the Trustee pursuant to the Mudaraba Agreement, shall be paid to the Mudareb as an incentive fee for its performance under the Mudaraba Agreement.

Other than its share of profit from the Mudaraba and any incentive fee payable in accordance with the Mudaraba Agreement, the Mudareb shall not be entitled to receive any remuneration from the Mudaraba.

The Mudareb will agree in the Mudaraba Agreement that all payments by it under the Mudaraba Agreement will be made free and clear of and without any withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction unless required by law. In the event there is any such withholding or deduction in relation to any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, the Mudareb shall pay Additional Amounts as shall result in the receipt by the Trustee of such net amounts of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, as would have been receivable by it if no such withholding or deduction had been required. To the extent that any such Additional Amounts are paid by the Mudareb, the Mudareb shall be entitled to recover amounts equal to such Additional Amounts from the amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by the Mudareb (such shortfall, the

**Additional Amounts Shortfall**), the Mudareb shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Excess Liquidation Proceeds. Any taxes incurred in connection with the operation of the Mudaraba (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the Mudaraba Term) will be borne by the Mudaraba itself.

### **Agency Agreement**

The Agency Agreement will be entered into on 22 January 2019 between the Trustee, DIB, the Delegate, the Principal Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent.

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to authenticate (or procure the authentication of) and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay all sums due under such Global Certificate; the Calculation Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to calculate the Profit Rate in respect of each Reset Period commencing on the relevant Reset Date, subject to and in accordance with the Conditions; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificate and issue Definitive Certificates in accordance with each request.

On the Issue Date, the Registrar will (i) authenticate (or procure the authentication of) the Global Certificate and, if any, each Definitive Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

DIB shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent in London, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the liquidation of the Mudaraba, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in Condition 5.3.

### **Shari'a Compliance**

Each Transaction Document provides that each of DIB Tier 1 Sukuk (3) Ltd. and Dubai Islamic Bank PJSC agrees that it has accepted the Shari'a compliant nature of the Transaction Documents and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents (or any provision thereof) is *ultra vires* or not compliant with the principles of Shari'a;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Transaction Documents; and
- (c) none of its obligations under the Transaction Documents shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents are not compliant with the principles of Shari'a.

## TAXATION

*The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates and does not constitute legal or tax advice. Prospective purchasers of the Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Certificates and receiving payments under the Certificates. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### **Cayman Islands**

*The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.*

Under existing Cayman Islands laws, payments by the Trustee on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of principal or profit to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

The Trustee has received an undertaking from the Governor in Cabinet of the Cayman Islands pursuant to the Tax Concessions Law (2018 Revision) of the Cayman Islands that, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee, or (ii) by way of the withholding in whole or part, of any relevant payment (as defined in the Tax Concessions Law (2018 Revision)). Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. An instrument transferring title to any Certificates, if executed in or brought into the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised share capital. At current rates, this annual registration fee is approximately U.S.\$853.66.

### **UAE**

*The following summary of the anticipated tax treatment in the UAE in relation to payments on the Certificates and pursuant to the Mudaraba Agreement is based on the taxation law in force at the date of this Prospectus, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.*

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments by the Trustee under the Certificates and/or DIB under the Mudaraba Agreement (including Periodic Distribution Amounts or Dissolution Distribution Amounts in relation to the Certificates). If any such withholding or deduction is required to be made in respect of payments due by DIB under the Mudaraba Agreement, DIB has undertaken in the Mudaraba Agreement to gross-up the payments due by it accordingly. If any such withholding or

deduction is required to be made in respect of payments of Periodic Distribution Amounts (but not, for the avoidance of doubt, Dissolution Distribution Amounts (other than any Outstanding Payments)) due by the Trustee under the Certificates, (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions) under Condition 13 and (ii) DIB has undertaken in the Declaration of Trust to pay such additional amounts to the Trustee to enable the Trustee to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

### **The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, **established** in a participating Member State in a broad range of circumstances, including (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 implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Certificates 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" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) 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 Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Certificates characterised as debt (or which

are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, 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 21 January 2019 between the Trustee, DIB, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc, KFH Capital Investment Company K.S.C.C., Sharjah Islamic Bank P.J.S.C. and Standard Chartered Bank (together, the **Joint Lead Managers**), the Trustee has agreed to issue and sell to the Joint Lead Managers (other than DIB in its capacity as such) U.S.\$750,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers (other than DIB in its capacity as such) have jointly and severally agreed to subscribe for the Certificates.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other conditions. The Joint Lead Managers (other than DIB in its capacity as such) will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead Managers (other than DIB in its capacity as such) will also be reimbursed in respect of certain of their expenses, and each of the Trustee and DIB has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue and offering of the Certificates.

Certain of the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to DIB and/or their affiliates in the ordinary course of business.

### **Selling Restrictions**

#### **United States**

The Certificates have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph 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 Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Certificates 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 Certificates during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

The Certificates are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of Certificates within the United States by a dealer (whether or not participating in the offering of the Certificates) may violate the registration requirements of the Securities Act.

#### **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 Certificates to any retail investor in the European Economic Area. 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 Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **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 FSMA) received by it in connection with the issue or sale of the Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or DIB; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

### **UAE (excluding the Dubai International Financial Centre)**

Each Joint Lead Manager has represented and agreed that the Certificates 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.

### **Cayman Islands**

Each Joint Lead Manager has represented and agreed that it has not made and will not make, whether directly or indirectly, any offer or invitation to the public in the Cayman Islands to subscribe for the Certificates.

### **Dubai International Financial Centre**

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (**DFSA**) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017 (the **KSA Regulations**), made through an authorised person licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 11 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 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 and agreed that any offer of Certificates 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 Certificates 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 Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and: (a) the Certificates 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 Certificates 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.

### **State of Kuwait**

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in the State of Kuwait.

### **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 Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more 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).

### **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 Certificates 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 Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed

of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## **Singapore**

Each Joint Lead Manager has acknowledged that this Prospectus has not been and will not be 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 Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities 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 Certificates 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.

## **Malaysia**

Each Joint Lead Manager acknowledges that this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia (the **SC**) under the Capital Markets and Services Act 2007 (the **CMSA**).

Accordingly, each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or delivered and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 (or Section 229(1)(b), Schedule 7 (or Section 230(1)(b)) and Schedule 8 (or

Section 275(3)) of the CMSA, read together with, Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation, or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

### **Switzerland**

Each Joint Lead Manager has represented and agreed that (i) the Certificates may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland, (ii) neither this Prospectus nor any other offering or marketing material relating to the Certificates constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations, and (iii) neither this Prospectus nor any other offering or marketing material relating to the Certificates may be publicly distributed or otherwise made publicly available in Switzerland.

### **General**

None of the Trustee, DIB nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Trustee or DIB that would permit a public offering of the Certificates, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Certificates (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers any Certificates or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other offering or publicity material relating to the Certificates, in all cases at its own expense.

## GENERAL INFORMATION

### **Listing**

Application has been made to Euronext Dublin for the Certificates to be admitted to listing on the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID II. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the Main Securities Market will be granted on or around 22 January 2019.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Directive.

The expenses in relation to the admission of the Certificates to trading on the Main Securities Market will be approximately €6,790.

Application has also been made to the DFSA for the Certificates to be admitted to the DFSA Official List and to Nasdaq Dubai for the Certificates to be admitted to trading on Nasdaq Dubai. It is expected that the listing of the Certificates on the DFSA Official List and admission of the Certificates to trading on Nasdaq Dubai will be granted on or around 22 January 2019. The total expenses relating to the admission to trading of the Certificates on Nasdaq Dubai are estimated to be U.S.\$7,000.

### **Authorisation**

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 7 January 2019. DIB Tier 1 Sukuk (3) Ltd., in its capacity as issuer and trustee has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents. The entry by DIB into the Transaction Documents was authorised by the shareholders of DIB on 21 February 2018 and by the directors of DIB on 10 October 2018.

### **Clearing Systems**

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 193514006, ISIN XS1935140068, CFI DAFXPR and FISN DIB TIER 1 SUKU/ASST BKD PERP SUB.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, LI 855 Luxembourg.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since the date of its incorporation.

There has been no significant change in the financial or trading position of DIB and its subsidiaries since 30 September 2018 and there has been no material adverse change in the prospects of DIB and its subsidiaries since 31 December 2017.

### **Litigation**

The Trustee 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 Trustee is aware) since the

date of its incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

Save as disclosed on pages 7 and 8 of this Prospectus in "*Risk Factors – Risks relating to DIB – 9/11 Litigation*", neither DIB nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the DIB is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of DIB or any of its subsidiaries.

### **Auditors**

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

The Audited Financial Statements have been audited in accordance with International Standards on Auditing by KPMG Lower Gulf Limited (**KPMG**) of P.O. Box 3800, Dubai, UAE as stated in their audit reports incorporated by reference into this Prospectus. The 2018 Interim Financial Statements have been reviewed in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by KPMG as stated in their review report incorporated by reference into this Prospectus.

KPMG are independent auditors regulated by and registered to practice as auditors with the Ministry of Economy in the UAE. There is no professional institute of auditors in the UAE and, accordingly, KPMG is not a member of a professional body in the UAE. All of KPMG's partners are members of the institutes from which they received their professional qualification.

### **Documents Available**

For as long as any Certificates remain outstanding, copies of the following documents will be available in electronic and physical format and in English to be inspected and/or collected during normal business hours at the specified office for the time being of the Principal Paying Agent on any weekday (excluding Saturdays, Sundays and public holidays):

- (a) the Memorandum and Articles of Association of the Trustee and the constitutional documents of DIB;
- (b) the Financial Statements;
- (c) a copy of this Prospectus; and
- (d) the Transaction Documents.

### **Joint Lead Managers transacting with DIB**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, DIB (and its affiliates) in the ordinary course of business.

In addition, 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, in the case of Joint Lead Managers other than DIB, related derivative securities) and financial instruments (including bank financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of DIB or DIB's affiliates. Certain of the Joint Lead Managers (other than DIB) or their affiliates that have a financing relationship with DIB routinely

hedge their credit exposure to DIB 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 Certificates. Any such short positions could adversely affect future trading prices of the Certificates. 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, in the case of Joint Lead Managers other than DIB, hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Shari'a Approvals**

The transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents have been approved by each of the Fatwa and Sharia Supervisory Board of DIB and the Sharia Committee of Dar al Sharia Legal & Financial Consultancy LLC, First Abu Dhabi Bank Shariah Supervisory Board, the Central Shariah Committee of HSBC Bank Middle East Limited, the Shari'ah advisors of J.P. Morgan, the KFH Capital Sharia Committee and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on any of the approvals referred to above in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction is in compliance with Shari'a principles.

***Description of the members of the Fatwa and Sharia Supervisory Board of DIB, First Abu Dhabi Bank Shariah Supervisory Board, the Central Shariah Committee of HSBC Bank Middle East Limited, the Shari'ah advisors of J.P. Morgan, the KFH Capital Sharia Committee and the Shariah Supervisory Committee of Standard Chartered Bank***

#### ***Fatwa and Sharia Supervisory Board of DIB***

*Professor Dr. Hussain Hamid Hassan*

Dr. Hussain completed his PhD in the Faculty of Sharia from Al Azhar University, Egypt, Master's degree in Comparative Jurisprudence from the University of New York, USA and graduated in Law and Economics from the University of Cairo, Egypt.

Dr. Hussain is a prominent scholar and teacher, having established Islamic universities and Islamic faculties in various parts of the world including Makkah, Islamabad, Kazakhstan and Libya.

For over 50 years, he has been adviser to the Presidents and leaders of various Islamic Republics, including acting as an adviser to Presidents of the Islamic Republic of Pakistan and to the Prime Minister of the Republic of Kyrgyzstan. He is also the President of the United States Muslim Jurists Association.

Besides DIB, Dr. Hussain is the Chairman of the Sharia supervisory boards of several Islamic financial Institutions including Islamic Development Bank, Ajman Bank, Amlak Finance, Deutsche Bank, Liquidity Management Centre, Dubai Financial Markets, AMAN Takaful Company, Methaq Takaful Insurance Company-Abu Dhabi, Jordan Dubai Islamic Bank, Abu Dhabi Islamic Bank Egypt, Dubai Islamic Bank Pakistan, Bank Al Salam-Bahrain, Bank Sohar-Oman and various other financial institutions. He is also a member of the Sharia Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board, the Fiqh Academy of Muslim World League and the International Fiqh Academy of the Organisation of Islamic Countries.

Dr. Hussain is the author of 21 books and over 400 articles on Islamic Fiqh, jurisprudence, Islamic banking and insurance, and frequently presides over Islamic academic and financial conferences, seminars and workshops in different parts of the world. He has supervised the translation of the Holy Quran into Russian and the translation of 200 Islamic books into various languages.

*Dr. Mohamed Abdul Hakim Zoeir*

Dr. Zoeir holds a PhD in Islamic Economics and is a member of the Sharia boards of many Islamic banks across the Middle East and Africa. He is the author of a number of research papers and studies in the field of Islamic finance and banking.

Dr. Zoeir is also Chief Editor of Islamic Economics magazine.

*Dr. Muhammad Qaseem*

Dr. Qaseem holds a PhD (Islamic Studies) from the Faculty of Usul ud Dinis, University of Karachi. He has been a member of the Sharia boards of many other institutions. Dr. Qaseem has taught various courses for a number of B.A. and M.A. programmes of the International Islamic University, Islamabad.

Dr. Qaseem has produced many academic contributions, articles and literary and translation works.

*Dr. Muhammad Abdulrahim Sultan Al Olama*

Dr. Al Olama holds a PhD in Islamic jurisprudence, is an assistant professor at various universities and is a member of numerous academic committees. He has published a number of articles and reports, in addition to his contributions to seminars and conferences in the Islamic finance arena held around the world.

*Dr. Youssif Abdullah Saleh Al Shubaily*

Dr. Al Shubaily holds a PhD in comparative Fiqh and is a professor in Saudi Arabia. He has contributed and presented numerous courses and training sessions to judges in Saudi Arabia. Dr. Al Shubaily has worked in the Islamic Institution in Washington, served as a member of the Sharia board of many other institutions and has more than 17 published reports and research papers.

***First Abu Dhabi Bank Shariah Supervisory Board***

*Dr. Mohd Daud Bakar*

Dr. Bakar was previously the deputy vice-chancellor at the International Islamic University Malaysia. He received his first degree in Shariah from University of Kuwait in 1988 and obtained his PhD from University of St. Andrews, United Kingdom in 1993. In 2002, he went on to complete his external Bachelor of Jurisprudence at University of Malaya. He has published a number of articles in various academic journals and has made numerous presentations at conferences both locally and overseas.

Dr. Bakar is currently the chairman of the Shariah Advisory Council of the Central Bank of Malaysia, the SACSC and the Shariah Supervisory Council of Labuan Financial Services Authority. He is also a member of the Sharia board of Dow Jones Islamic Market Index (New York), Oasis Asset Management (Cape Town, South Africa), The National Bank of Oman, Financial Guidance (USA), BNP Paribas (Bahrain), Morgan Stanley (Dubai), Jadwa-Russell Islamic Fund (Kingdom of Saudi Arabia), Bank of London and Middle East (London), Noor Bank (Dubai), Islamic Bank of Asia (Singapore), and in other financial institutions both locally and abroad. Dr. Bakar also actively advises on capital markets product structuring such as sukuk.

*Dr. Mohamed Ali Elgari*

Dr. Elgari holds a PhD in Economics from the University of California. He is a professor of Islamic Economics at King Abdul Aziz University and an expert at the Islamic Jurisprudence Academies of the Organisation of Islamic Countries, having published several articles and books on Islamic finance. Dr. Elgari is a member of the Shari'a boards of several Islamic banks and Takaful companies, including the Shari'a board of Dow Jones International Islamic Fund Market. He also sits in the Shari'a boards of AAOIFI and is a member of the advisory board of Harvard Series on Islamic Law.

*Professor Dr. Abdul Aziz Al Qassar*

Professor Dr. Abdul Aziz Al Qassar is a Professor of Comparative Jurisprudence at the Faculty of Sharia and Islamic Studies at Kuwait University. He received a doctorate degree in Comparative Jurisprudence from the Faculty of Sharia and Law, Al-Azhar University, Cairo, Arab Republic of Egypt in 1997.

He has been a faculty member at the Faculty of Sharia and Islamic Studies at Kuwait University since 1997, and has served as Associate Dean for Academic Affairs and Graduate Studies and Research at the Faculty of Sharia and Islamic Studies at Kuwait University from 2001 to 2005. He has also served as a member of the Fatwa and Sharia boards in many institutions and Islamic banks in Kuwait and abroad, a lecturer in Islamic finance and has produced various research and religious studies regarding Islamic jurisprudence and contemporary financial transactions.

***Central Shariah Committee of HSBC Bank Middle East Limited***

*Sheikh Nizam Yaquby*

Sheikh Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in Economics and Comparative Religions and MSc in Finance from McGill University, Canada. In addition to advising Citi and other Islamic finance institutions and funds, Sheikh Yaquby is a member of the Islamic Fiqh Academy and AAOIFI. Since 1976, he has taught Tafsir, Hadith and Fiqh in Bahrain and is a Shari'a adviser to several international and local financial institutions worldwide. He has also published several articles and books on various Islamic subjects including Banking and Finance.

*Dr. Mohamed Ali Elgari*

See the description of Dr. Elgari set out above.

*Dr. Aznan Hasan*

Dr. Aznan Hasan is an Associate Professor in Islamic Law at Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia and has taught Islamic law there since 2003. He is also President of the Association of Shariah Advisors in Islamic Finance and has been Deputy Chairman of the Shariah Advisory Council, Securities Commission of Malaysia since July 2010. He was a member of the Shariah Advisory Council, Bank Negara Malaysia (from November 2006 to August 2008 and from November 2010 to October 2013). He is also the Chairman of the Shariah Supervisory Board, Shariah Advisory Committee, Barclays DIFC (April 2011 to present). He is Shariah adviser to Maybank Islamic in Malaysia and has been advising ABSA Islamic Banking, South Africa since July 2010.

***Shari'ah advisors of J.P. Morgan***

*Sheikh Dr. Abdussattar Abu Ghuddah*

Dr. Abu Ghuddah holds a PhD in Comparative Jurisprudence from Al-Azhar University, a Bachelor's degree in Sharia from Damascus University, a Bachelors of Law from Damascus University, a Masters in Sharia from Al-Azhar University and a Masters in Al-Hadith Sciences from Al-Azhar University. Dr. Abu Ghuddah is Chairman and General Secretary of the Unified Sharia Board of Al-Baraka Banking Group, an expert and a former reporter of the Jurisprudence Encyclopaedia at the Kuwaiti Ministry of Awqaf & Islamic affairs, and a visiting professor at Saleh Kamel's Center for Islamic Economic Studies, Al-Azhar University.

He is also a member of the International Islamic Fiqh Academy in Jeddah, the Zakat International Sharia Board, the Accounting Standards Council and the Sharia Council of AAOIFI. He also serves as vice chairman of the Sharia Board of Dubai Financial Market (DFM), an executive member of the Sharia Board of the Central Bank of Syria, a member of the Sharia Committee of the Central Bank of Bahrain, vice



chairman of the Sharia Board of Abu Dhabi Islamic Bank, a member of the Sharia Board of Sharjah Islamic Bank, chairman of the Sharia Board of Abu Dhabi National Takaful Co., a member of the Sharia Board of Takaful Re Limited, chairman of the Al Hilal Bank Sharia Board, in addition to being the chairman or a member of many other Sharia boards, including those of Standard Chartered Bank, Dow Jones Islamic Market Indices, Credit Agricole CIB, SAMBA Financial Group, Qatar Islamic Bank and Jordan Islamic Bank.

*Dr. Mohamed Ali Elgari*

See the description of Dr. Elgari set out above.

*Sheikh Dr. Waleed Bin Hadi*

Sheikh Dr. Waleed bin Hadi holds a Masters in Shari'a and Law from Omdurman Islamic University (Sudan), and a Ph.D in Shari'a from Imam Muhammad Bin Saud al-Islamiyyah University, Riyadh. He started his career as a judge of the Shariah Court, State of Qatar. He has written various books and articles on Islamic Faith, Hadith, Usul al-Fiqh, Islamic Economy, Islamic Finance and Shari'a Audit.

#### ***KFH Capital Sharia Committee***

*Dr. Anwar Shuaib Abdulsalam*

Dr. Anwar Shuaib Abdulsalam is Chairman of Fatwa and Sharia Supervisory Board at KFH Capital and Chairman of Fatwa and Sharia Supervisory Board at Kuwait Turkish Participation Bank Turkey. He has served as the former Head of Department of Fiqh and Usul Al-Fiqh at the Faculty of Sharia and Islamic Studies at Kuwait University. He is also a member of the Fatwa and Sharia Supervisory Board for a number of companies and Islamic institutions. He received his PhD in Islamic Jurisprudence from Al-Azhar University in 1999.

*Dr. Sayed Mohammad Abdulrazzaq Altabtabae*

Dr. Sayed Mohammad Abdulrazzaq Altabtabae is a member of the KFH Capital Fatwa and Sharia Supervisory Board, Chairman of Fatwa and Sharia Supervisory Board at KFH Kuwait, Chairman of Fatwa and Sharia Supervisory Board of KFH Malaysia. He has also served as the former Dean of Faculty Sharia and Islamic Studies at Kuwait University. He is also a member of the teaching board, member of Sharia Board at Zakat House in Kuwait, International Committee for Contemporary Zakat Issues, a member of the Scientific Advisory Board at Kuwait University, and a member of the Fatwa and Sharia Supervisory Board to a number of financial Islamic institutions and companies. He received his PhD in Fiqh from the Higher Institute of Judiciary at Islamic University Imam Mohammed Bin Saoud in Riyadh in 1996.

*Dr. Mubarak Jeza Alharbi*

Dr. Mubarak Jeza Alharbi is a member of the KFH Capital Fatwa and Sharia Supervisory Board, and a member of the Fatwa and Sharia Supervisory Board at KFH Bahrain, Head of the Department of Comparative Fiqh and Sharia Governance at the Faculty of Sharia at Kuwait University, member of Fatwa Authority at Ministry of Awqaf in Kuwait, and a member of the Fatwa and Sharia Supervisory Board for a number of companies and Islamic institutions. He received his PhD from the Faculty of Darul Ulum, Cairo University, in 2002.

#### ***Shariah Supervisory Committee of Standard Chartered Bank***

*Dr. Mohamed Ali Elgari*

See the description of Dr. Elgari set out above.

*Sheikh Nizam Yaquby*

See the description of Sheikh Yaquby set out above.

*Sheikh Dr. Abdussattar Abu Ghuddah*

See the description of Dr. Abu Ghuddah set out above.

**TRUSTEE AND RAB-AL-MAAL**

**DIB Tier 1 Sukuk (3) Ltd.**  
c/o MaplesFS Limited  
P.O. Box 1093, Queensgate House  
Grand Cayman, KY1-1102  
Cayman Islands

**MUDAREB**

**Dubai Islamic Bank PJSC**  
P.O. Box 1080  
Dubai  
United Arab Emirates

**DELEGATE**

**HSBC Corporate Trustee Company (UK) Limited**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**PRINCIPAL PAYING AGENT, CALCULATION AGENT,  
REGISTRAR AND TRANSFER AGENT**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**JOINT LEAD MANAGERS**

**Dubai Islamic Bank PJSC**  
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Dubai  
United Arab Emirates

**Emirates NBD Bank PJSC**  
P.O. Box 777  
Dubai  
United Arab Emirates

**First Abu Dhabi Bank PJSC**  
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Khalifa Business Park – Al Qurm District  
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Abu Dhabi  
United Arab Emirates

**HSBC Bank plc**  
8 Canada Square  
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**J.P. Morgan Securities plc**  
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London E14 5JP  
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**KFH Capital Investment Company K.S.C.C.**  
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Kuwait City  
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13040 Kuwait

**Sharjah Islamic Bank P.J.S.C.**

2nd Floor, SIB Tower  
Al Khan  
P.O. Box 4  
Sharjah  
United Arab Emirates

**Standard Chartered Bank**

P.O. Box 999  
Dubai  
United Arab Emirates

**AUDITORS TO DIB**

**KPMG Lower Gulf Limited**

P.O. Box 3800  
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United Arab Emirates

**LEGAL ADVISERS**

*To the Trustee  
as to Cayman Islands law*

**Maples and Calder (Dubai) LLP**

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*To DIB  
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*To the Delegate  
as to English law*

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10 Upper Bank Street  
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United Kingdom

**IRISH LISTING AGENT**

**Arthur Cox Listing Services Limited**  
Ten Earlsfort Terrace  
Dublin 2  
Ireland