IMPORTANT NOTICE

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

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the *document*) and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached document. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended only for you and you agree you will not reproduce or publish this electronic transmission or forward the attached document to any other person.

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

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

THE ATTACHED DOCUMENT IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THE ATTACHED DOCUMENT (A) IF EFFECTED BY A PERSON WHO IS NOT AN AUTHORISED PERSON UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (**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) 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(a)-(d) OF THE PROMOTION OF CIS ORDER AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE BE LAWFULLY BE MADE IN ACCORDANCE WITH THE PROMOTION OF CIS ORDER. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of your representation: The attached document is delivered to you at your request and on the basis that you have confirmed to Ajman Bank P.J.S.C., Citigroup Global Markets Limited, Dubai Islamic Bank P.J.S.C., Emirates NBD P.J.S.C., First Gulf Bank P.J.S.C., Noor Bank PJSC, Sharjah Islamic Bank PJSC, Standard Chartered Bank and Union National Bank P.J.S.C. (together, the **Managers**), Noor Bank PJSC (the **Bank**) and Noor Tier 1 Sukuk Limited (the **Trustee**) that (i) you are located outside the United States and not a U.S. person, or acting for the account or benefit of any U.S. person; (ii) you consent to delivery by electronic transmission; (iii) you will not transmit the attached document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Managers; and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

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

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

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

The Managers are acting exclusively for the Bank and the Trustee and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of the attached document) as their client in relation to the offer and will not be responsible to anyone other than the Bank and the Trustee for providing the protections afforded to its clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

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

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

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

Restrictions on marketing and sales to retail investors

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

By purchasing, or making or accepting an offer to purchase, any Certificates from the Trustee, Bank and/or the Managers, each prospective investor represents, warrants, agrees with and undertakes to the Trustee, the Bank and each of the Managers that:

(a) it is not a retail client in the EEA (as defined in the United Kingdom Financial Conduct Authority's Handbook);

(b) it will not sell or offer the Certificates (or any beneficial interest therein) to retail clients in the EEA or do anything (including the distribution of the attached document relating to the Certificates) that would or might result in the buying of the Certificates or the holding of a beneficial interest in the Certificates by a retail client in the EEA, other than in relation to any sale or offer to sell Certificates (or such beneficial interest therein) to a retail client in any EEA member state, where (i) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Certificates (or any beneficial interest therein) and is able to bear the potential losses involved in an investment in the Certificates (or such beneficial interest therein) and (ii) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) (**MiFID**) to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

(c) it has complied and will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Certificates (or any beneficial interest therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Certificates by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Certificates (or any beneficial interest therein) from the Trustee, Bank and/or the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

NOOR TIER 1 SUKUK LIMITED

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

U.S.$500,000,000 Tier 1 Capital Certificates

The U.S.$500,000,000 Tier 1 Capital Certificates (the **Certificates**) of Noor Tier 1 Sukuk Limited (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 1 June 2016 (the **Issue Date**) entered into between the Trustee, Noor Bank PJSC (the **Bank**) and BNY Mellon Corporate Trustee Services Limited as the delegate of the Trustee (the **Delegate**). The Certificates confer on the holders of the Certificates from time to time (the **Certificateholders**) the conditional right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the **Trust**) over the Trust Assets (as defined in the Conditions) and the Trustee will hold such Trust Assets 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 in the Conditions) occurs, a Write-down (as defined in the Conditions) shall occur on the relevant Non-Viability Event Write-down Date (as defined in the Conditions), as more particularly described in Condition 11 (*Write-down at the Point of Non-Viability*). In such circumstances, the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally written-down in whole and the Certificates shall be cancelled. See "*Risk Factors – Certificateholders' right to receive payment of the principal amount of the Certificates and the Certificateholders' right to any profit will be fully and permanently written-down upon the occurrence of a Non-Viability Event*".

The payment obligations of the Bank under the Mudaraba Agreement (as defined in the Conditions) (including all payments which are the equivalent of principal and profit) (the **Relevant Obligations**) will, subject to the Solvency Conditions (as defined below) being satisfied at the relevant time and no bankruptcy order having been issued in respect of the Bank by a court in the United Arab Emirates (the **UAE**), rank in priority only to all Junior Obligations (as defined in the Conditions). Payments in respect of the Relevant Obligations by the Bank are conditional upon (i) the Bank being Solvent (as defined in the Conditions) at all times from (and including) the first day of the relevant Periodic Distribution Period (as defined in the Conditions) (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations; (ii) the Bank being capable of making payment of the Relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations (each, as defined in the Conditions) and still be Solvent immediately thereafter; and (iii) the total share capital (including, without limitation, retained earnings) of the Bank 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 Certificates (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 the Bank 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 Bank in respect of the Relevant Obligations.***

Periodic Distribution Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 1 June 2021 (the **First Call Date**) at a rate of 6.250 per cent. per annum from amounts of Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (as further described below). 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 five years thereafter, equal to the Relevant Five Year Reset Rate (as defined in the Conditions) plus a margin of 4.905 per cent. per annum. Periodic Distribution Amounts will, if payable pursuant to the Conditions, be payable semi-annually in arrear on 1 June and 1 December in each year, commencing 1 December 2016. Payments on the Certificates will be made free and clear of and without 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 in the Conditions) (the **Taxes**) to the extent described under Condition 13 (*Taxation*). Each payment of a Periodic Distribution Amount will be made by the Trustee provided that the Bank (in its capacity as Mudareb (as defined in the Conditions)) shall have paid Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (as applicable) (each as defined in the Conditions) equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement. Payments of such profit amounts under the Mudaraba Agreement are not permitted if a Non-Payment Event (as defined in the Conditions) occurs (which includes the case where sufficient Distributable Profits (as defined below) are not available in order to permit the Bank to make the relevant payment), and are otherwise at the sole discretion of the Bank (as Mudareb), all as more fully described in Condition 8 (*Periodic Distribution Restrictions*). 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. **Distributable Profits** means: (i) for the Initial Period (as defined in the Conditions), the sum of: (A) the Bank's consolidated profits; and (B) if greater than zero, the Bank'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 calculated by the Bank based on its latest audited or (as the case may be) auditor reviewed consolidated financial statements; or (ii) for any period thereafter, the amount of the Bank'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 calculated by the Bank based on its latest audited or (as the case may be) auditor reviewed consolidated financial statements. Each relevant payment of a profit amount during the Initial Period by the Bank under the Mudaraba Agreement is dependent on sufficient consolidated profits being generated by the Bank until such time that it has sufficient consolidated 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. See "*Risk Factors – Payments of Periodic Distribution Amounts are conditional upon certain events and may not be permitted and are non-cumulative* ". For further information in relation to the Bank's recent financial performance, including accumulated losses as at 31 December 2015, see "*Financial review*".

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, the Bank 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) (*Trustee's Call Option*). In addition, upon the occurrence of a Tax Event or a Capital Event (each as defined in the Conditions), the Certificates may be redeemed in whole (but not in part), or the terms thereof may be varied (by the Trustee (but only upon the instructions of the Bank (acting in its sole discretion)), in each case at any time on or after the Issue Date in accordance with Conditions 10.1(c) *(Redemption or Variation due to Taxation*) and 10.1(d) (*Redemption or Variation for Capital Event*). Any redemption or variation is subject to the conditions described in Condition 10.1 (*Redemption and variation*).

Upon the occurrence of a Bank Event (as defined in the Conditions), the Delegate shall (subject to Condition 12.1 (*Bank Events*)) give notice of the occurrence of such event to the Certificateholders in accordance with Condition 17 (*Notices*) 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**). The Delegate may and, if so requested in writing by the Certificateholders of at least one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of Certificateholders, shall (but in each case subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*)), give notice (a **Dissolution Notice**) to the Trustee that the Certificates are immediately due and payable at the aggregate face amount of the outstanding Certificates together with any Outstanding Payments (as defined in the Conditions), whereupon the aggregate face amount of the outstanding Certificates together with any Outstanding Payments (as defined in the Conditions) 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 (*Winding-up, dissolution or liquidation*) 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 Dubai Financial Services Authority (the **DFSA**) under the DFSA's Markets Rule 2.6 and is therefore an approved prospectus for the purposes of Article 14 of the DFSA's Markets Law 2012. 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 **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 (b) admitted to trading 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 depositary (the **Common Depositary**) for, Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules (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 the Bank. 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.

Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors*" on page (viii) of this Prospectus for information regarding certain restrictions on marketing and sales to retail investors.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the *Shari'a* Supervisory Committee of the Bank 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.

Global Co-ordinators

Citigroup **Standard Chartered Bank**

Joint Lead Managers

Citigroup **Dubai Islamic Bank P.J.S.C.** **Emirates NBD Capital**
First Gulf Bank **Noor Bank** **Sharjah Islamic Bank PJSC**
Standard Chartered Bank

Co-Managers

Ajman Bank P.J.S.C. **Union National Bank P.J.S.C.**

The date of this Prospectus is 26 May 2016

This Prospectus complies with the requirements in Part 2 of the Markets Law (DIFC Law No.1 of 2012) and Chapter 2 of the Markets Rules for the purpose of giving information with regard to the Trustee, the Bank and the Certificates which, according to the particular nature of the Trustee, the Bank 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 the Bank.

The Trustee and the Bank accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Trustee and the Bank, 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.

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

None of the 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 the Bank in connection with the Certificates.

To the fullest extent permitted by law, the Managers accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Manager or on its behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each Manager 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, the Bank, 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, the Bank, the Delegate, the Agents or any of the Managers. None of the Managers, nor any of their directors, affiliates, advisers, agents, the Delegate nor the Agents or any of their respective affiliates make any representation or warranty or accept any liability as to the accuracy or completeness of the information contained in this Prospectus. 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 the Bank 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 comment is made, or advice given by, the Trustee, the Delegate, the Agents, the Bank or the Managers 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. 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 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.

Moody's Investors Services Singapore Pte. Ltd. (**Moody's Singapore**) has rated the UAE, see "*Overview of the United Arab Emirates*". Fitch Ratings Limited (**Fitch**) has rated the Bank, see "*Risk Factors – Risk Factors relating to the Bank – The Bank could be adversely affected by a negative change in its credit rating*".

Moody's Singapore is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The rating has been endorsed by Moody's Investors Services Ltd (**Moody's**) in accordance with the CRA Regulation. Each of Moody's and Fitch is established in the European Union and is registered under the CRA Regulation. As such each of Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the *Shari'a* Supervisory Committee of the Bank 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.

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 Managers, the Trustee, the Delegate, the Agents or the Bank 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, the Bank, the 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, the Bank, the 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, the Bank and the 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 Cayman Islands, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar, Japan, Hong Kong, Malaysia, Singapore 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 and should not be considered as a recommendation by the Trustee, the Bank, the Delegate, the Agents, the Managers, or any of their directors, affiliates, advisers, agents or any of them that any recipient of this Prospectus or any other information supplied in connection with the issue of the Certificates should subscribe for, or purchase, the Certificates. Each recipient of this Prospectus should make, and shall be taken to have made, its own independent investigation and appraisal of the condition (financial or otherwise) and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Bank. None of the Managers undertakes to review the financial condition or affairs of the Trustee or the Bank 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 Managers. None of the Managers, nor any of their directors, affiliates, advisers, agents, the Delegate or the Agents accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Trustee or the Bank in connection with the Certificates.

The Certificates may not be a suitable investment for all investors. Each potential investor in 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.

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.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of borrowing; 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.

Stabilisation

In connection with the issue of the Certificates, Standard Chartered Bank (the **Stabilising Manager**) (or persons acting on behalf of the Stabilising Manager) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Trustee or the Bank. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Issue Date and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) must conduct such stabilisation in accordance with all applicable laws and rules.

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 the Bank, or the business strategy, management plans and objectives for future operations of the Bank, are forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Bank'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 contained in the sections entitled "*Risk Factors*" and "*Description of the Bank*" and other sections of this Prospectus. The Bank has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These forward looking statements are based on numerous assumptions regarding the Bank's present, and future, business strategies and the environment in which the Bank expects to operate in the future. Important factors that could cause the Bank's actual results, performance or achievements to differ materially from those in the forward looking statements are discussed in this Prospectus (see "*Risk Factors*").

The risks and uncertainties referred to above include, but are not limited to:

- macro-economic and financial market conditions and, in particular, the global financial crisis;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions (in particular in relation to the real estate sector), the impact of provisions and impairments and concentration of the Bank's portfolio of Islamic financing and investing assets;
- liquidity risks, including the inability of the Bank to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in profit rates and other market conditions.

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 the Bank 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 the Bank 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 the Bank cannot assure potential investors that projected results or events will be achieved and the Trustee and the Bank caution potential investors not to place undue reliance on these statements.

Presentation of certain financial and other information

Historical financial statements

The financial statements relating to the Bank and included in this Prospectus are:

(a) the audited consolidated financial statements as at and for the year ended 31 December 2015 (the **2015 Financial Statements**); and

(b) the audited financial statements as at and for the year ended 31 December 2014 (the **2014 Financial Statements** and, together with the 2015 Financial Statements, the **Financial Statements**).

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

The Bank's financial year ends on 31 December and references in this Prospectus to 2013, 2014 and 2015 are to the 12 month period ending on 31 December in each such year.

The Trustee is a special purpose company established in the Cayman Islands. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint an auditor.

Auditors

The Financial Statements have been audited by PricewaterhouseCoopers, Dubai Branch (**PricewaterhouseCoopers**), independent auditors, in accordance with International Standards on Auditing. PricewaterhouseCoopers have issued unqualified reports on the Financial Statements.

Non-GAAP measures

This Prospectus includes certain references to non-GAAP measures such as the Bank's "net profit margin", "financing/total assets", "customer deposits/total funding", "financing/customer deposits", "liquid assets ratio", "cost to income ratio", "return on equity", "return on assets", "impaired financings ratio", "impairment provisions/impaired financings", "average earning assets", "average funding", "average yield on earning assets", "average cost of funds", "capital adequacy ratio", "total funding"; and "Tier 1 risk assets ratio". The Bank uses these non-GAAP measures to evaluate performance, and this additional financial information is presented in this Prospectus. This information is not presented in accordance with IFRS and should be viewed as supplemental to the Bank's financial statements. Investors are cautioned not to place undue reliance on this information and should note that the "net profit margin", "financing/total assets", "customer deposits/total funding", "financing/ customer deposits", "liquid assets ratio", "cost to income ratio", "return on equity", "return on assets", "impaired financings ratio", "impairment provisions /impaired financings", "average earning assets", "average funding", "average yield on earning assets", "average cost of funds", "capital adequacy ratio", "total funding", and "Tier 1 risk assets ratio" as calculated by the Bank may differ materially from similarly titled financial measures reported by other companies, including the Bank's competitors.

Presentation of other information

Certain defined terms

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

- references to **Abu Dhabi** are to the Emirate of Abu Dhabi;
- references to **Dubai** are to the Emirate of Dubai;
- references to the **GCC** are to the Gulf Co-Operation Council (which comprises the Kingdom of Bahrain (**Bahrain**) , the State of Kuwait (**Kuwait**), the Sultanate of Oman (**Oman**), the State of Qatar (**Qatar**), the Kingdom of Saudi Arabia (**Saudi Arabia**) and the United Arab Emirates (**UAE**));
- references to a **Member State** are references to a Member State of the European Economic Area;
- references to the **MENA region** are to the Middle East and North Africa region;
- references to **U.S. dollars** and **U.S.$** are to the lawful currency of the United States of America;
- references to **AED** and **dirham** are to the lawful currency of the United Arab Emirates;
- references to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; and
- references to a **billion** are to a thousand million.

Certain conventions

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

U.S.$1.00. All U.S. dollar translations of dirham amounts appearing in this 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 at any other rate of exchange.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in dirham. The Bank's functional currency is dirham and the Bank prepares its financial statements in dirham.

Certain publicly available information

Certain information under the headings "*Risk factors*", "*Financial review*", "*Overview of the UAE and Dubai*" and "*The UAE banking sector and regulations*" has been extracted from information provided by:

- in the case of "*Risk factors*", the International Monetary Fund (the **IMF**), the UAE Central Bank (the **Central Bank**), the UAE National Bureau of Statistics (the **NBS**) and the Organisation of Oil Exporting Countries (**OPEC**);
- in the case of "*Financial review*", the IMF;
- in the case of "*Overview of the United Arab Emirates*", the IMF, the NBS and OPEC; and
- in the case of "*The UAE banking sector and regulations*", the NBS, the IMF and the Central Bank,

and, in each case, the relevant source of such information is specified where it appears under those headings. None of the Managers, the Trustee or the Bank accepts responsibility for the factual correctness of any such statistics or information but both the Trustee and the Bank accept responsibility for accurately reproducing such statistics and, so far as the Trustee and the Bank are aware and have been able to ascertain from such statistics, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Statistical information relating to the UAE and Dubai included in this Prospectus has been derived from official public sources. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Bank to investors who have purchased any Certificates.

Where information has not been independently sourced, it is the Bank's own information.

No incorporation of website information

The Bank's website is www.noorbank.com. The information on this website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

Restrictions on marketing and sales to retail investors

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

By purchasing, or making or accepting an offer to purchase, any Certificates from the Trustee, the Bank and/or the Managers, each prospective investor represents, warrants, agrees with and undertakes to the Trustee, the Bank and each of the Managers that:

(a) it is not a retail client in the EEA (as defined in the United Kingdom Financial Conduct Authority's Handbook);

(b) it will not sell or offer the Certificates (or any beneficial interest therein) to retail clients in the EEA or do anything (including the distribution of this Prospectus) that would or might result in the buying of the Certificates or the holding of a beneficial interest in the Certificates by a retail client in the EEA, other than in relation to any sale or offer to sell Certificates (or such beneficial interests therein) to a retail client in any EEA member state, where (i) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Certificates (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Certificates (or such beneficial interests therein) and (ii) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) (**MiFID**) to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

(c) it has complied and will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Certificates (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Certificates by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Certificates (or any beneficial interests therein) from the Bank and/or the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

NOTICE TO RESIDENTS OF THE UK

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**), and (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 CISs Order**), (ii) persons falling within any of the categories of person described in Article 22(a)-(d) (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential 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 individual 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 any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO RESIDENTS OF 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 Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the **Capital Market Authority**).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this 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 Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she 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 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 THE STATE OF QATAR

This Prospectus does not and is not intended to constitute an offer, sale or delivery of the Certificates under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Exchange or the Qatar Central Bank. The Certificates have not been, and will not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar, including the Qatar Financial Centre, in a manner that would constitute a public offering. The Certificates are not and will not be traded on the Qatar Exchange.

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.

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

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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 the Bank 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 the Bank is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Trustee and the Bank 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 the Bank 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 the Bank represents that the statements below regarding the risks of holding any Certificate are exhaustive.

Although the Trustee and the Bank 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 the Bank or which the Trustee or the Bank 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 is an exempted company with limited liability incorporated in the Cayman Islands on 6 August 2015 and has no operating history. The Trustee has not as at the date of this Prospectus, and 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 the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents. As the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including the right to receive amounts paid by the Mudareb under the Mudaraba Agreement. Therefore, the Trustee is subject to all the risks to which the Bank is subject to the extent that such risks could limit the Bank's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

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

Risks Relating to the Bank

RISKS RELATING TO THE BANK AND ITS ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE TRANSACTION DOCUMENTS

The majority of the Bank's business operations and assets are located in the UAE, which exposes it to UAE and MENA region economic and political risks

Almost all of the Bank's business operations and assets are located in the UAE. Accordingly, its results of operations are generally affected by financial, economic and political developments in or affecting the UAE and the MENA region and, in particular, the Bank is, and expects to continue to be, affected by the level of economic activity in the UAE.

The UAE has seen significant economic growth and relative political stability since it was founded in 1971. However, there can be no assurance that such growth or stability will continue, particularly in light of the significant adverse financial and economic conditions experienced worldwide commencing in early 2008. Those conditions resulted in a 5.2 per cent. decline in the UAE's real GDP in 2009 and real GDP growth of only 1.6 per cent in 2010 according to the IMF October 2014 World Economic Database. Consequently, certain sectors of the UAE economy, such as financial institutions that had benefitted from previous high rates of growth, were materially adversely affected in 2009 and the immediately following years. The Bank commenced operations in January 2008, and was significantly negatively impacted by the global financial crisis which commenced later that year. In particular, like most other UAE banks, the Bank was affected by the liquidity squeeze and increased impairments. In common with other UAE banks, the Bank accepted UAE Ministry of Finance/ Central Bank support funding. The Bank later converted the funding into Tier II capital in accordance with its terms and, during 2014, the Bank repaid the funding in full.

Although economic conditions in the UAE have generally improved since 2010, recent significant declines in the international prices of oil and gas have the potential to significantly negatively impact the UAE economy, particularly if they are sustained or combined with other shocks, such as a significant fall in house prices or stock market valuations. See "*The UAE's economy is highly dependent on its oil revenue*" below. In addition, a general downturn or instability in certain sectors of the UAE economy or the regional economy could have an adverse effect on the Bank's business, results of operations, financial condition and prospects.

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

The Bank's business may also be negatively affected if there are regional, geo-political or economic events that prevent it from delivering its services. While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the MENA region are not. Instability in the MENA region may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of countries in the Middle East, including Algeria, Bahrain, Egypt, Iraq, Libya, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and the overthrow of existing leadership and has given rise to increased political uncertainty across the region. There can be no assurance that extremists or terrorist groups will not escalate violent activities in the MENA region or that the governments of the MENA region will be successful in maintaining the prevailing levels of domestic order and stability. Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of the MENA region and, in particular, could impact the numbers of tourists that choose to visit the UAE and the number of businesses interested in doing business in the UAE. It is not generally possible to predict the occurrence of events or circumstances, such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the Bank would be able to sustain the profitable operation of its business if adverse political events or circumstances that impacted the UAE were to occur.

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

The UAE's economy is highly dependent upon oil revenue. According to OPEC data, as at 31 December 2014, the UAE had 6.6 per cent. of proven global oil reserves which generated exports valued at U.S.$380 billion, the highest of all OPEC member countries.

Crude oil prices fluctuate in the future in response to changes in many factors over which the Bank has no control. Factors that may affect the price of crude oil include, but are not limited to:

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

During the second half of 2008 and into 2009, OPEC Reference Basket crude oil prices fell by approximately 70 per cent. from their peak level of U.S.$140 per barrel reached in July 2008 to an annual average of approximately U.S.$61 per barrel for the year ended 31 December 2009 and U.S.$77 per barrel for 2010, according to OPEC. This fall in prices was a significant contributor to the decline in UAE GDP in 2009 and the low level of GDP in 2010 and also negatively impacted both the Abu Dhabi and UAE federal budgets. Based on the same source, OPEC Reference Basket crude oil prices averaged U.S.$109 per barrel in 2012 and U.S.$106 per barrel in 2013. However, since June 2014, when the monthly average OPEC Reference Basket price per barrel was U.S.$108, crude oil prices have fallen by approximately 69 per cent. to a monthly average price of U.S.$34 in December 2015.

If these low prices are sustained for a significant period of time, this could have a significant negative effect on the UAE's economy and a corresponding negative impact on the Bank's business, financial condition and results of operations, including through increased impairment charges in future periods as weaker economic conditions impact many of the Bank's customers.

The Bank is exposed to significant credit risk which could result in significant credit losses in future periods

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

The Bank's financing portfolio is subject to significant concentration risks

The Bank's total financing constituted AED 23.2 billion, or 58.8 per cent. of its total assets, at 31 December 2015. Of this financing, 94 per cent was made to customers located in the UAE and the Bank envisages that it will retain such concentration over the short to medium term. In addition, the Bank's financing portfolio is concentrated in particular industry sectors. For example, at 31 December 2015, consumer financings and credit cards comprised 30.9 per cent. of the total gross financing portfolio, with; trade; the financial institutions sector; construction and real estate; and transport, storage and communications accounting for 17.4 per cent., 16.2 per cent., 12.1 per cent. and 8.1 per cent., respectively.

The Bank's financing portfolio also has significant individual concentrations, with the Bank's 20 largest financings representing 19.1 per cent. of its total assets at 31 December 2015. In addition, government and government related entities constitute 14.7 per cent. of the Bank's financing portfolio, see "*Financial review—Analysis of certain statement of financial position items—Investments in Islamic financing instruments*".

In the UAE, certain sectors (including the financial services and real estate sectors) and certain regions (including Dubai) were more significantly affected than others by the global financial crisis that commenced in early 2008. Similarly, concentrations in the Bank's financing portfolio subject it to enhanced risks arising from any default by one or more of its larger obligors and from negative developments affecting particular sectors of the UAE economy (including the financial services sector) to which it is significantly exposed. See "*Financial review—Analysis of certain statement of position items—Investments in Islamic financing instruments*" for tables showing the industry sector breakdown of the Bank's gross financing portfolio.

The Bank has experienced rapid growth in its financing portfolio, which increases its credit risk exposure

The Bank's total financing has grown rapidly since its establishment in January 2008 and was AED 14.3 billion at 31 December 2013, AED 18.0 billion at 31 December 2014 and AED 23.2 billion at 31 December 2015. In 2014 and 2015, the Bank's financing portfolio increased by 25.7 per cent. and 28.7 per cent., respectively. This increase in credit exposure requires constant emphasis by the Bank on credit quality, the adequacy of its provisioning levels and the continued development of financial and management controls. In addition, the offering of a wider range of products by the Bank as part of its strategy of continuing to grow its core banking activities organically within the UAE may also increase the credit risk exposure in its financing portfolio. Any failure to successfully manage growth and development and to maintain the quality of its financing assets could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank's non-performing financings may increase, which would have an adverse effect on its profitability

The Bank's non-performing financings (**NPFs**) as at 31 December 2015 represented 4.7 per cent. of its total gross financings. The Bank follows UAE Central Bank guidelines to determine NPFs. These guidelines specify that a financing should be classified as an NPF where any payment in respect of it is more than 90 days past due. In addition, in certain instances where negative information is available, the Bank may classify a financing as NPF irrespective of the tenor or whether the account is more than 90 days past due or not. The Bank continues to actively manage and monitor its financing portfolio but there can be no assurance that in the future the Bank will be able to maintain its NPFs at these or lower levels. Factors which may contribute to an increase in the amount of the Bank's NPFs include the expected growth in its financing portfolio and any future slowdown or recession in the UAE economy. Should the Bank's NPFs increase, its impairment charges in respect of its financing portfolio are also likely to increase which would have a material adverse effect on its business, results of operations, financial condition and prospects.

The Bank is subject to liquidity risk which could materially adversely affect its results of operations and, in an extreme case, could threaten its solvency

Liquidity risk is the risk that the Bank will not be able to honour its obligations when they fall due or will only be able to secure funding at excessive cost which then adversely impacts its profitability. Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources.

The Bank's customer deposits amounted to AED 32.1 billion, or 89.4 per cent. of its total liabilities, at 31 December 2015 compared to AED 23.9 billion, or 92.7 per cent. of its total liabilities, as at 31 December 2014 and AED 18.7 billion, or 90.1 per cent. of its total liabilities, at 31 December 2013. As is the normal practice in the UAE banking industry, the deposits which the Bank accepts from its customers are short-term in nature. However, it is also normal in the UAE banking industry for these short-term deposits to be rolled over on maturity such that, in practice, a significant portion have actual maturities of a longer duration. By contrast, the Bank's advances have more diversified maturities (see note 29.2 to the 2015 Financial Statements which illustrates the Bank's maturity gaps). Accordingly, there is a risk that, if a significant number of the Bank's customers choose not to roll over their deposits at any time or withdraw their deposits at a rate faster than the rate at which obligors repay financing provided by the Bank, the Bank could experience difficulties in funding those lost deposits. The risk of this happening is likely to increase at times of poor economic performance when the Bank's customers are more likely to need cash and it may be more expensive for the Bank to fund those withdrawals from other sources.

As at 31 December 2015, the Bank's 20 largest depositors accounted for a large proportion of its customer deposits and a major portion belongs to government or government-related entities in the UAE. Any withdrawal of a significant portion of these large deposits may have an adverse effect on the Bank's financial condition and results of operations as well as on its ability to meet the UAE Central Bank target ratio for financings to stable resources of 100 per cent. or any similar Basel III-based ratio introduced by the UAE Central Bank in the future

Liquidity risk in Islamic banks is heightened by the fact that less *Shari'a*-compliant liquidity products are available to them than is the case for conventional banks. Cash and cash equivalent balances and a portfolio of Islamic sukuk investments which together aggregated AED 6.6 billion at 31 December 2015 compared to AED 5.1 billion at 31 December 2014 are available for short-term liquidity management. There is no assurance that the Bank will not experience significant liquidity constraints in the future and any such constraints could have a material adverse effect on its business, results of operations, financial condition or prospects. See "*Risk management—Liquidity risk* *management*" for a description of the Bank's exposure to, and the policies, systems and procedures it has in place to manage, liquidity risk.

The Bank is exposed to market risks which could have a negative impact on its equity or profitability

Market risk is the risk that changes in financial market prices and rates, in particular interest and profit rates and foreign exchange rates, will cause fluctuations in the fair value or future cash flows of the financial instruments to which the Bank is a party. The risk arises from imbalances in the Bank's balance sheet as well as from open positions in profit rate and currency products, each of which is exposed to general and specific market movements (such as profit rates, credit spreads and foreign exchange rates) and changes in the level of volatility of market rates or prices. For example, the Bank's principal profit earning assets are its investments in Islamic financing instruments and its investments in Islamic sukuk whilst its principal profit paying liabilities are its depositors' accounts. Any significant movements in profit rates that result in either (i) the profit rates that the Bank earns on its profit earning assets reducing faster than any corresponding reduction in the profit rates which the Bank pays on its profit paying liabilities or (ii) the rates which the Bank pays on its profit paying liabilities increasing faster than the Bank is able to increase the profit rates which it earns on its profit earning assets could have a material adverse effect on its business, results of operations, financial condition or prospects. See "*Risk management—Market risk management*" for a description of the Bank's exposure to, and the policies, systems and procedures it has in place to manage, market risk.

The Bank maintains its accounts, and reports its results, in dirham. The dirham, along with the currencies of most of the other GCC countries, is pegged at a fixed exchange rate to the U.S. dollar. In the case of the UAE, this currency peg has existed since 22 November 1980. However, there can be no assurance that the UAE government will not de-peg the dirham in the future or that the existing peg will not be adjusted in a manner that materially adversely affects the Bank's results of operations and financial condition. Any such de-pegging or adjustment could have a material adverse effect on the Bank's business, results of operation, financial condition and prospects.

The Bank is exposed to operational and legal risk which could result in damage to its reputation as well as financial losses

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

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

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

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

The Bank's risk management policies, systems and procedures may not prove effective in all circumstances

In the course of its business activities, the Bank is exposed to a wide variety of banking risks. While the Bank believes that it has implemented appropriate policies, systems and procedures to control and mitigate these risks, its risk management techniques may not be fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are currently unidentified or not anticipated, particularly in view of its limited operating history.

The Bank's methods of managing risk include the use of historical market behaviour and setting appropriate risk appetite and maximum tolerance levels to determine and monitor risk exposures. In addition, stress testing using forward-looking scenarios is designed to assist the Bank in analysing the impact of possible future events on its capital, profitability, liquidity and funding position, which in turn helps to shape the Bank's strategy. The Bank's risk management methods are intended to assist it in predicting possible impacts on its risk exposures, but actual outcomes may prove to be significantly different from those which its risk management models predict and could be significantly greater than historical measures indicate.

Investors should note that any failure by the Bank to adequately control the risks to which it is exposed, including as a result of any failure to successfully implement new risk management systems in the future, could have a material adverse effect on the Bank's reputation, business, results of operations, financial condition or prospects.

The Bank could be adversely affected by a negative change in its credit rating

The Bank's credit rating is important to its business. The Bank has been assigned a long-term rating of "A-" with a "stable outlook" by Fitch.

Declines in those aspects of the Bank's business identified by the rating agencies as significant or otherwise could adversely affect the rating agency's perception of the Bank's credit and cause it to take negative ratings actions. Any downgrade in the Bank's credit ratings or the threat of a potential downgrade could:

- adversely affect its liquidity and competitive position;
- undermine confidence in the Bank;
- increase its funding costs;
- limit its access to the sukuk funding market; and/or
- limit the range of counterparties willing to enter into transactions with the Bank, as many institutions require their counterparties to satisfy minimum ratings requirements.

The Bank's credit ratings are subject to change and could be downgraded as a result of many factors, including the failure of the Bank to successfully implement its strategies. A downgrade of the Bank's credit ratings could also lead to a loss of customers and counterparties which could have a material adverse effect on its business, results of operations and financial condition.

There is limited availability of *Shari'a*-compliant hedging instruments compared to those available to conventional banks

The Bank's status as an Islamic bank means that its assets and liabilities are not fully comparable to those of a conventional bank. In particular, the Bank does not have a range of hedging products available to it to manage certain credit, market and liquidity risks that is comparable to those available to conventional banks. There can be no assurance that the limited availability of hedging products will be sufficient to manage all risks that the Bank faces, and any failure to manage specific risks effectively may have a material adverse effect on the Bank's business, results of operations, financial condition or prospects.

The Bank cannot be certain that it will continue to grow or that it will be able to manage its growth effectively

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

The Bank faces competition in all of its business areas

The Bank faces competition in all of its business areas from domestic and foreign banks operating in the UAE. The Bank faces competition from both Islamic banks and conventional banks. According to the UAE Central Bank, there were 49 banks (23 domestic and 26 foreign) licensed to operate inside the UAE (excluding the Dubai International Financial Centre) as at 31 December 2015. As at the same date, there were seven Islamic banks and a number of other financial institutions offering Islamic products and services in the UAE. Additional financial institutions may consider offering *Shari'a*-compliant products in the future. A number of the other banks operating in the UAE have significantly larger operations than the Bank, which may make it difficult for the Bank to compete with those banks on certain financing opportunities.

The banking market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation, the GCC or any other similar entities, it is likely to lead to a more competitive environment for the Bank and other domestic financial institutions. Recent changes that have affected the UAE banking system include:

- the introduction of the Al Etihad Credit Bureau by the UAE government in February 2012 and the increasing use by banks in the UAE of Emirates Credit Information Company may result in a reduction in financing and therefore an increase in competition for new customers as the UAE currently has a high debt burden;
- the introduction of direct debit by the UAE Central Bank, which commenced in October 2013 and is expected to be expanded in scope over time, may result in a significant reduction in payroll services for banks which is likely to negatively impact their fee income and, potentially, result in increased customer churn as payroll services are a significant factor limiting churn; and
- new services being offered by Emirates Identity Agency may reduce administration costs within banks and therefore facilitate account switching which is also likely to stimulate competition for new customers.

Increased competition could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects, particularly if it is less successful in adapting to new developments than certain of its competitors.

The Bank may be negatively affected by future regulatory changes

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

The Bank is dependent on key personnel

The Bank's revenue depends, in part, on its ability to continue to attract, retain and motivate qualified and skilled personnel. The Bank relies on its senior management for the implementation of its strategy and its day-to-day operations. There is intense competition in the UAE for skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. If the Bank is 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 its operations.

The loss of one or more members of the Bank's senior management team may result in:

- a loss of organisational focus;
- poor execution of operations; and/or
- an inability to identify and execute potential strategic initiatives.

These adverse results could, among other things, reduce potential revenue, which could materially adversely affect the Bank's business, results of operations, financial condition and prospects.

The interests of the Bank's majority shareholder may conflict with those of the Certificateholders

The Government of Dubai, members of the Ruling Family of Dubai and a select group of Government of Dubai nominated UAE Nationals own an aggregate of 87.8 per cent. of the shareholding of the Bank, see "*Description of the Bank—Shareholders and share ownership*". By virtue of their shareholding, these investors, to the extent that they act together, have the ability to influence the Bank's business significantly through their ability to control actions that require shareholder approval and also have the ability to approve the election of all members of the Bank's board of directors (the **Board**) and thus influence Board decisions.

The interests of these investors may be different from those of Certificateholders. For example, decisions made by these investors and the Board may be influenced by the need to consider the wider interests of the group of companies of which the Bank forms part and may result in decisions (including decisions to pay significant dividends to shareholders) that are less commercially beneficial to Certificateholders than those that might otherwise have been made.

The Bank has a short operating history

The Bank commenced operations in January 2008. Accordingly, the Bank's business and prospects must be considered in light of the risks, uncertainties, expenses and difficulties encountered by a business with a short operating history. There can be no assurance that the Bank will be successful in implementing its strategy and a failure to do so could have an adverse effect on its business, results of operations, financial condition and prospects.

In addition, given its short history the Bank is reliant on the experience and expertise of (i) its Board in formulating the Bank's strategy and overseeing the development of the Bank and (ii) its *Shari'a* Board in ensuring that it conducts all of its operations in accordance with *Shari'a* principles. Accordingly the loss of any one or more members of either Board could have a negative impact on the Bank.

The Certificates are not guaranteed by the Bank or any third party

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

Risks Relating to the Certificates

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

If a Non-Viability Event (as defined below) occurs at any time on or after the Effective Date (as defined in the Conditions), the Certificates will be cancelled and all 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 Bank Event) 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. As a result, Certificateholders will lose the entire amount of their investment in the Certificates.

Investors should also be aware that the application of a non-viability loss absorption feature as contained in Condition 11 (*Write-down at the Point of Non-Viability*) has not been tested in the UAE and therefore some degree of uncertainty may exist in its application.

There can also be no assurances that Condition 11 (*Write-down at the Point of Non-Viability*) will not exceed the requirements of any future law implementing the January 13 Annex (as defined below) in the UAE. It may be the case that the requirement in the current Conditions for full and permanent write-down of the Certificates on the occurrence of a Non-Viability Event on or after the Effective Date is more onerous than the requirements of any such future law (which may allow partial and/or temporary write-down). In such a case, the operation of such future law may result in Certificateholders absorbing loss before, or to a greater degree than, holders of the Bank's Common Equity Tier 1 Capital or other instruments ranking *pari passu* with the Certificates.

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

Certificateholders' right to receive payment of the principal 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 the Bank 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 the Bank has been issued by a court in the UAE, all 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 Bank 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 the Bank'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 the Bank and with which the Bank may not agree.

See "*Certificateholders' right to receive payment of the principal amount of the Certificates and the Certificateholders' right to any profit will be fully and 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 may 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 the Bank will also depend in part on decisions made by the Bank in relation to its business and operations, including the management of its capital position. In making such decisions, the Bank 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 the Bank, its shareholders and the Financial Regulator will be aligned with those of the Certificateholders.

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

Payments of Periodic Distribution Amounts will be made by the Trustee provided that the Bank (as Mudareb) shall have paid to the Trustee profit amounts equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement. In this regard, prospective investors should note that the payment obligations of the Bank under the Mudaraba Agreement are subordinated to the claims of the Senior Creditors (as defined in the Conditions), rank *pari passu* to the Pari Passu Obligations and subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of the Bank by a court in the UAE, rank in priority only to all Junior Obligations, as more particularly described in Condition 4.2 (*Subordination*). Potential investors should note that payment of all amounts by the Bank under the Mudaraba Agreement (and consequently, the corresponding payments by the Trustee under the Conditions) are conditional upon:

(i) the Bank (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;

(ii) the Bank (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations and still be Solvent immediately thereafter; and

(iii) the total share capital (including, without limitation, retained earnings) of the Bank 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 Certificates,

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

Further, the payment obligations of the Bank under the Mudaraba Agreement are unsecured and no collateral is or will be given by the Bank 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 (*Winding-up, dissolution or liquidation*). If a Bank Event occurs and the Bank has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Bank 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 Bank 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 the Bank as set out in Condition 4.3 (*Other Issues*) which limits the circumstances in which Tier 1 Capital of the Bank 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 the Bank (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 the Bank under the Mudaraba Agreement (**Bank Senior Obligations**). The issue of or the creation of any such Bank Senior Obligations may reduce the amount recoverable by Certificateholders on a winding-up of the Bank. Accordingly, in the winding-up of the Bank and after payment of the claims of Senior Creditors, there may not be a sufficient amount to satisfy the amounts owing to the Certificateholders. See also "*– The payment obligations of the Bank under the Mudaraba Agreement are subordinated and unsecured obligations*".

Payments of Periodic Distribution Amounts are conditional upon certain events and may not be permitted and are non-cumulative

The Bank 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 any Certificates are to be redeemed.

In addition, if a Non-Payment Event occurs, the Bank (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, as more particularly provided in, Condition 8.1 (*Non-Payment Event*) and as further described on the cover page of this Prospectus.

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 the Bank's election or a Non-Payment Event then, from the date of such election or Non-Payment Event, the Bank will be prohibited from declaring or paying certain distributions or dividends and from redeeming, purchasing, cancelling, reducing or otherwise acquiring certain securities, in each case for a limited period of time, as more particularly described in Condition 8.4 (*Dividend and Redemption Restrictions*). However, the Certificateholders shall have no claim in respect of any Periodic Distribution Amount not paid as a result of either an election by the Bank or a Non-Payment Event and the consequential non-payment of any Periodic Distribution Amount in such a circumstance shall not constitute a Dissolution Event. The Bank 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) 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 Bank Event occurs.

The Bank Events and Certificateholders' rights following a Bank Event are set out in Condition 12 (*Dissolution Events and Winding-up*). The Dissolution Events in the Conditions are limited to: (a) Bank Events (being (i) a default by the Mudareb for a period of seven days or more in the payment of any principal or fourteen days or more in the payment of any profit amount due and payable by it under the Mudaraba Agreement; (ii) a final determination is made by a court or other official body that the Bank is insolvent or bankrupt or unable to pay its debts; (iii) an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Bank or the Bank 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 analogous event under the laws of the UAE to those described above, and (b) Trustee Events (being similar in nature to Bank Events in respect of the Trustee), all as more fully described in the Conditions.

In certain circumstances the Bank 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 of a Capital Event occurs, as more particularly described in Condition 10 (*Redemption and Variation*), although there is no assurance that the Bank 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 exercises its rights to redeem the Certificates in accordance with Condition 10 (*Redemption and Variation*);

(ii) the Trustee is directed by an Extraordinary Resolution of the Certificateholders, or by the Delegate, following a Bank 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. See also "*Absence of secondary market/limited liquidity*" for a description of the risks relating to the ability of holders of Certificates to sell the Certificates in the secondary market.

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 (*Cessation of Accrual*).

Minimum regulatory capital and liquidity requirements

The Bank is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. A shortage of available capital might also restrict the Bank's opportunities for expansion. Under Basel III (as defined in the Conditions), capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. On 16 December 2010, the Basel Committee issued its final guidance on Basel III in "Basel III: A global regulatory framework for more resilient banks and banking systems". A revised version was subsequently published in June 2011.

The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2 per cent. (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments) of risk weighted assets. The total Tier 1 capital requirement will increase from 4 per cent. to 6 per cent. of risk weighted assets. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5 per cent. to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7.0 per cent. of risk weighted assets. If there is excess credit growth in any given country resulting in a system-wide build-up of risk, a countercyclical buffer within a range of 0 per cent. to 2.5 per cent. of common equity (or other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. Furthermore, systemically important banks are required to have loss-absorbing capacity beyond these standards (see "*Basel III Reforms – Future UAE legislation on loss absorbency at the point of non-viability may have adverse effects for Certificateholders"* and *"Certificateholders' right to receive payment of the principal amount of the Certificates and the Certificateholders' right to any profit will be fully and permanently written-down upon the occurrence of a Non-Viability Event*").

The Basel III reforms also require tier 1 and tier 2 capital instruments to be more loss absorbing. The Basel III capital requirements have been implemented from 1 January 2013 by Basel Committee members globally and are subject to a series of transitional arrangements, which will be phased in over a period of time, and are expected to be fully effective by 2019. They are also supplemented by a leverage ratio, a liquidity coverage ratio and a net stable funding ratio.

As at the date of this Prospectus, the UAE has not implemented the Basel III reforms. Although it is expected that the Central Bank will issue specific guidelines regarding Basel III in due course, it is not possible to predict the timing or substance of the legislative and rulemaking process. Basel III may be implemented in the UAE in a manner that is different from that which is currently envisaged, or regulations may be introduced in the UAE which impose additional capital requirements on, or otherwise affect the capital adequacy requirements relating to, UAE banks. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Bank are increased in the future, any failure by the Bank to maintain such increased regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

Basel III Reforms – Future UAE legislation on loss absorbency at the point of non-viability may have adverse effects for Certificateholders

On 13 January 2011, the Basel Committee expanded on the Basel III capital rules with additional non-viability requirements (the **January 13 Annex**). The January 13 Annex requires non-common equity tier 1 or tier 2 instruments issued by an internationally active bank to have a provision in their terms and conditions, or to be subject to a statutory legal framework, that requires such instruments, at the option of the relevant authority, to either be written-off or converted to common equity upon the occurrence a "trigger event" (being the earlier of: (1) a decision that a write-off, without which the bank 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 bank would have become non-viable, as determined by the relevant authority).

As at the date of this Prospectus, the UAE has not implemented a law that would require loss absorbency for Tier 1 bank capital instruments on the occurrence of any such trigger event. If the regulatory requirements for capital instruments applicable to the Bank are modified in the future it is possible that authorities could use their powers in such a way as to result in the Certificates absorbing losses in the manner described in the paragraph above. Accordingly, the operation of any such future legislation may have an adverse effect on the positions of Certificateholders.

The Conditions currently cater for principal loss absorption, as set out in Condition 11 (*Write-down at the Point of Non-Viability*), by providing for the full and permanent write-down of the Certificates if the trigger event (i.e. a Non-Viability Event) occurs on or after the Effective Date – see "*Certificateholders' right to receive payment of the principal amount of the Certificates and the Certificateholders' right to any profit will be fully and permanently written-down upon the occurrence of a Non-Viability Event*". However, Basel III may be implemented in the UAE in a manner that is different from that which is currently envisaged (see "*Minimum regulatory capital and liquidity requirements*"). If in the future a law is implemented in the UAE requiring loss absorbency for bank capital instruments as described above, there can be no assurances that Condition 11 (*Write-down at the Point of Non-Viability*) would satisfy the requirements of any such law for the purposes of the Central Bank and, accordingly, the implementation of such law may give rise to a Capital Event in respect of the Certificates. In such a case, the Certificates may be redeemed or varied pursuant to Condition 10.1(d) (*Redemption or Variation for Capital Event*) without the consent of the Certificateholders at any time after the applicable notice period to the Certificateholders. See "*– Variation upon the occurrence of a Capital Event or a Tax Event*" and "*– The Certificates may be subject to early redemption; redemptions conditional*".

Due to the deeply subordinated nature of the obligations arising under the Certificates, 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 the exercise of a call option in accordance with Condition 10.1(b) (*Trustee's Call Option*), a redemption in accordance with Condition 10.1(c) (*Redemption or Variation due to Taxation*), a redemption in accordance with Condition 10.1(d) (*Redemption or Variation for Capital Event*) or following the occurrence of a Bank Event in accordance with Condition 12.1 (*Bank Events*). In addition, the Trustee may be prohibited from making, or instructed by the Bank not to make, payments of Periodic Distribution Amounts on the Certificates in accordance with Condition 8 (*Periodic Distribution Restrictions*) and Periodic Distribution Amounts will not therefore be due other than in the limited circumstances described in the Conditions.

Moreover, pursuant to Condition 12 (*Dissolution Events and Winding-up*), upon the occurrence of any Bank Event, 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 the Bank that the Certificates are, and shall immediately become, due and payable at the applicable Dissolution Distribution Amount together with any Outstanding Payments and thereafter: (i) instituting any steps, actions or proceedings for the winding-up or bankruptcy of the Bank and/or (ii) proving in the winding-up of the Bank and/or (iii) claiming in the liquidation of the Bank and/or (iv) taking such other steps, actions or proceedings which, under the laws of the UAE, have an analogous effect to the actions referred to paragraphs (i) to (iii) above, in each case, for the payment of amounts due under the Mudaraba Agreement. 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 the Bank 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 Bank Event occurs and the Bank has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Bank 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 Bank 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 (as defined in the Conditions) 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 five 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, the Bank may (acting in its sole discretion), instruct the Trustee to, whereupon the Trustee shall, subject as provided in Condition 10.1(c) (*Redemption or Variation due to Taxation*) or 10.1(d) (*Redemption or Variation for Capital Event*) (as the case may be) and without any requirement for consent or approval of the Certificateholders, vary the terms of the Mudaraba Agreement and the Certificates such that the Certificates become or remain (as appropriate) Qualifying Tier 1 Instruments (as defined in the Conditions).

A Capital Event is deemed to have occurred if the Bank 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 the Bank or whose purchase is funded by the Bank) of the Certificates is excluded (in full or, to the extent not prohibited by relevant regulatory criteria for Tier 1 Capital, in part) from the consolidated Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital). A Tax Event will arise if the Bank or the Trustee (as the case may be) would, as a result of a Tax Law Change (as defined in the Conditions), 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 the Bank or the Trustee (as the case may be) taking reasonable measures available to it). Each of Tax Event and Capital Event are more particularly described in Condition 10.1 (*Redemption and variation*).

The tax and stamp duty consequences of holding the Certificates following variation as contemplated in Condition 10.1 (*Redemption and variation*) 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, the Agents or the Bank 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 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 (*Bank Events*), 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 (*Winding-up, dissolution or liquidation*)) against the Bank 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 (to the extent that each of the Delegate and the Agents (as applicable) fulfils all of its obligations under the Transaction Documents to which it is party) or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets. The Bank is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against the Bank to recover such payments due to the Trustee pursuant to the Transaction Documents.

After enforcing or realising the rights in respect of the Trust Assets 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 the Bank shall be (in accordance with Condition 12.3 (*Winding-up, dissolution or liquidation*)), 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, can 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 the Bank under the Mudaraba Agreement are* *subordinated and unsecured obligations*"), will be fully and permanently written down upon the occurrence of a Non-Viability Event (see "*– Certificateholders' right to receive payment of the principal amount of the Certificates and the Certificateholders' right to any profit will be fully and 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*"). Furthermore, certain shareholders and related parties of the Bank may participate in the offering of the Certificates. The secondary market liquidity of the Certificates may be adversely affected if, and to the extent that, such person(s) intend to adopt a buy and hold strategy in respect of the Certificates.

Application has been made for the Certificates to be admitted to the Official List and for such Certificates to be admitted to trading on 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

Upon the occurrence of a Tax Event or a Capital Event, the Bank may (acting in its sole discretion), instruct the Trustee to, whereupon the Trustee shall, at any time, having given not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem in accordance with the Conditions, all, but not some only, of the Certificates together with any accrued but unpaid Periodic Distribution Amounts (as more particularly described in Condition 10.1(c) (*Redemption or Variation due to Taxation*) in relation to a Tax Event, and Condition 10.1(d) (*Redemption or Variation for Capital Event*) in relation to a Capital Event).

Any redemption of the Certificates is subject to the requirements in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), 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 the Bank may instruct the Trustee to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the relevant redemption amount payable in respect of the Certificates. Potential investors should consider re-investment risk in light of other investments available at that time.

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 the Bank (as Mudareb), on an unrestricted co-mingling Mudaraba basis, in its general business activities carried out through the General Mudaraba Pool (as defined in the Conditions) and, following investment of the Mudaraba Capital, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the **Mudaraba Assets**) 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 the Bank, and the Certificateholders shall have no ability to influence such activities. The Bank shall be granted the express entitlement to co-mingle its own assets in the General Mudaraba Pool assets and, as a result, it may not be possible to identify the Mudaraba Assets separately from the assets of the Bank.

If any of the risks relating to the business of the Bank mentioned above (see "*– Risks relating to the Bank*") materialise or otherwise impact the Bank'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 the Bank'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 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 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 with jurisdiction will take in such circumstances.

Risks relating to enforcement

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

In the event of the Bank's insolvency, UAE bankruptcy laws may adversely affect the Bank'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 and/or the Delegate against the Bank 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.

Change of law

The structure of the issue of the Certificates is based on English law, the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE or administrative practices in any such jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of the Bank to comply with its obligations under the Transaction Documents.

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

Ultimately the payments under the Certificates are dependent upon the Bank making payments to the Trustee in the manner contemplated under the Transaction Documents. If the Bank fails to do so, it may be necessary to bring an action against the Bank to enforce its obligations (subject to the provisions of Condition 12 (*Dissolution Events and Winding-up*) and/or to claim damages, as appropriate, which could be both time consuming and costly.

The Bank has irrevocably agreed that certain of the Transaction Documents will be governed by English law and, where this is the case, that any dispute arising from such Transaction Documents will, unless the option to litigate is exercised, be referred to arbitration in London under the LCIA Arbitration Rules. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the **New York Convention**) entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in 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 courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Dubai courts will take the same approach in similar proceedings in the future.

Under the Conditions and certain Transaction Documents, any dispute may also be referred to the courts in England or the Courts in the Dubai International Finance Centre (the **DIFC**) (or such other court with jurisdiction as the Delegate may elect).

Where an English judgment has been obtained, there is no assurance that the Bank has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. the Bank is incorporated in, and under the laws of, Dubai and the UAE 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 relevant Transaction Document or the Certificates. 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. This may mean that the Dubai courts may seek to interpret English law governed documents as if governed by UAE law and there can therefore be no certainty that in those circumstances the Dubai courts would give effect to such documents in the same manner as the parties may intend or uphold an agreement to resolve any disputes by arbitration contained in such documents. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE.

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 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. Under Article 7 of Law No. 16 of 2011, any final and unappealable judgment, order or award made by the DIFC courts must, upon application to the Dubai Court of Execution, be enforced without that court being able to reconsider the merits of the case. As a result, and as any dispute under the Conditions and certain Transaction Documents may also be referred to the DIFC courts as aforesaid, the DIFC courts should recognise the choice of English law as the governing law of the Certificates or such Transaction Documents, and any final and unappealable judgment of the DIFC courts in connection therewith should be enforced by the Dubai courts without reconsidering the merits of the case. Investors should note however that, as at the date of this Prospectus, Law No. 16 of 2011 remains relatively new and largely untested and there is therefore no certainty as to how the DIFC courts intend to exercise their jurisdiction under the 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 court without reconsidering the merits of the case.

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.

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.

A court may not grant an order for specific enforcement

If the Bank 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 the Bank'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 the breach. No assurance is provided on the level of damages which a court may award if the Bank fails to perform its obligations set out in the Transaction Documents.

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

The Bank 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 the UAE and applicable in Dubai.

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 depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. 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 Sharia Supervisory Committee of the Bank and the Shariah Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, *Shari'a*-compliant. 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, the Bank, the Delegate, the Agents, or the Managers 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.

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 LCIA Rules. The Bank has also agreed under certain of the Transaction Documents to submit to the 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 first apply the relevant law of the relevant Transaction Document 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 the Bank, 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 Authorised Denomination may be illiquid and difficult to trade

As the Certificates have a denomination consisting of the minimum Authorised Denomination (as defined in the Conditions and further described in Condition 2.1 (*Form and Denomination*)) plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts in excess of such minimum Authorised Denomination that are not such integral multiples of such minimum Authorised Denomination. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Authorised Denomination would need to purchase an additional amount of Certificates at or in excess of the minimum Authorised Denomination such that it holds an amount equal to at least the minimum Authorised Denomination to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Authorised Denomination may be illiquid and difficult to trade.

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

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of the minimum Authorised Denomination 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 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 Trustee, the Delegate or the Bank 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, the Delegate and/or the Bank 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 (*Trustee Events*).

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 so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments, as provided in Condition 10.1(c) (*Redemption or Variation due to Taxation*) and Condition 10.1(d) (*Redemption or Variation for Capital Event*).

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 sole opinion of the Delegate, such modification: (a) is of a formal, minor or technical nature; or (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the Certificateholders 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 make all payments on the Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Neither the Bank nor the Trustee has any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency-equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the principal payable on the Certificates (to the extent that any Dissolution Distribution Amount becomes payable as provided in the Conditions); and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payments including of any Periodic Distribution Amount on a Certificate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts. Even if there are no actual exchange controls, it is possible that U.S. dollars may not be available at the date of redemption of the Certificates.

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.

Risk factors relating to taxation

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

Whilst the Certificates are in global form and held within Euroclear or Clearstream (together, the **ICSDs**), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the ICSDs (see "*Taxation - Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA might affect them. The Trustee's obligations under the Certificates are discharged once it has made payment to, or to the order of, the common depositary for the ICSDs (or its nominee as registered holder of the Certificates) and the Trustee has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Taxation risks on payments

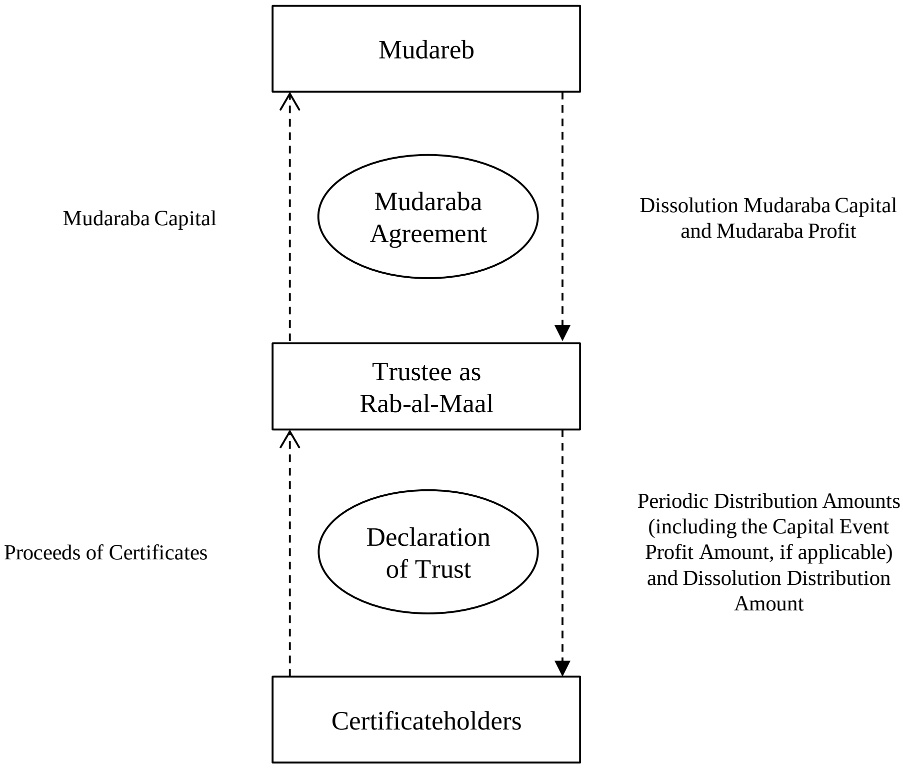
Payments made by the Bank to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Mudaraba Agreement requires the Bank to pay additional amounts in the event that any withholding or deduction is required by UAE law to be made in respect of payments made by it to the Trustee under that document. Furthermore, Condition 13 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by the Cayman Islands in certain circumstances. If the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, the Bank 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 the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 13 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

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

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 the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee by the Bank pursuant to clauses 12.1 and 12.8 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 the Mudareb and shall form the initial capital of the Mudaraba (the **Mudaraba Capital**) pursuant to the Mudaraba Agreement. The Mudaraba Capital will be invested, on an unrestricted co-mingling Mudaraba basis, by the Bank in its general business activities carried out through the General Mudaraba Pool and, following investment of the Mudaraba Capital, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the **Mudaraba Assets**).

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 (99 per cent. to the Trustee (as Rab-al-Maal) and 1 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 Mudaraba Profit (as defined in the Mudaraba Agreement) by the Bank (as Mudareb) are at the sole discretion of the Bank (as Mudareb) and may only be made in circumstances where a Non-Payment Event has not occurred. 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).

Under the terms of the Mudaraba Agreement, the Mudareb shall be expressly entitled to co-mingle its assets with the General Mudaraba Pool 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 Bank (as 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; 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:

  (a) upon the occurrence of a Tax Event; or

  (b) upon the occurrence of a Capital Event.

The Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, upon receipt of notice in accordance with paragraph (i) above redeem all of, but not only some of, the Certificates, and upon receipt of notice in accordance with paragraph (ii) above redeem all of, 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 final constructive liquidation of the Mudaraba, as described above.

The Bank (as Mudareb) and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by the Bank 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 become or, as appropriate, remain 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 section.

Certificates	U.S.$500,000,000 Tier 1 Capital Certificates.
Trustee	Noor Tier 1 Sukuk Limited, an exempted company incorporated with limited liability on 6 August 2015 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with registered number 302781 with its registered office at MaplesFS Limited, PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
Ownership of the Trustee	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.
Administration of the Trustee	The affairs of the Trustee are managed by MaplesFS Limited (the **Trustee Administrator**), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 25 May 2016 between the Trustee Administrator and the Trustee (the **Corporate Services Agreement**). The Trustee Administrator's registered office is P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
Mudareb	Noor Bank PJSC.
Rab-al-Maal	Noor Tier 1 Sukuk Limited.
Risk Factors	Certain factors may affect the Trustee's ability to fulfil its obligations under the Certificates and the Bank's ability to fulfil its obligations under the Transaction Documents. In addition, certain factors are material for the purpose of assessing the market risks associated with the Certificates. These are set out under "*Risk Factors*".
Global Co-ordinators	Citigroup Global Markets Limited and Standard Chartered Bank.
Joint Lead Managers	Citigroup Global Markets Limited, Dubai Islamic Bank P.J.S.C., Emirates NBD P.J.S.C., First Gulf Bank P.J.S.C.,

	Noor Bank PJSC, Sharjah Islamic Bank PJSC and Standard Chartered Bank.
Co-Managers	Ajman Bank P.J.S.C. and Union National Bank P.J.S.C.
Delegate	BNY Mellon Corporate Trustee Services Limited. Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being requested 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 the Bank following a Bank Event.
Principal Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
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 Cashflows*" 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	1 June 2016.
Issue Price	100 per cent.
Periodic Distribution Dates	1 June and 1 December every year, commencing on 1 December 2016.
Periodic Distributions	Subject to Condition 8 (*Periodic Distribution Restrictions*), 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 five years thereafter, equal to the Relevant Five Year Reset Rate plus a margin of 4.905 per cent. per annum. If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Trustee shall not pay the corresponding Periodic Distribution Amounts and neither the Bank 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 (*Periodic Distribution Restrictions*).

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 (*Status*). The Relevant Obligations will (a) constitute Tier 1 Capital of the Bank, (b) constitute direct, unsecured, conditional and subordinated obligations of the Bank, (c) rank subordinate and junior to all Senior Obligations but not further or otherwise, (d) rank *pari passu* with all other Pari Passu Obligations and (e) subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of the Bank by a court in the UAE, rank in priority only to all Junior Obligations; see Condition 4.2 (*Subordination*). Payments in respect of the Relevant Obligations by the Bank are conditional upon (i) the Bank (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; (ii) the Bank (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations and still be Solvent immediately thereafter; and (iii) the total share capital (including, without limitation,

retained earnings) of the Bank 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 Certificates (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 the Bank 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 Bank 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 the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenants given to the Trustee pursuant to clauses 12.1 and 12.8 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. The Certificates may be redeemed in whole but not in part, or the terms thereof may be varied by the Trustee (but only upon the instructions of the Bank (acting in its sole discretion)) only in accordance with the provisions of Condition 10 (*Redemption and Variation*).

Pursuant to Condition 10.1(b) (*Trustee's Call Option*), the Trustee shall (but only upon the instructions of the Bank (acting in its sole discretion)), 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) (*Redemption or Variation due to Taxation*) and 10.1(d) (*Redemption or Variation for Capital Event*).

Any redemption of the Certificates is subject to the conditions described in Condition 10.1 (*Redemption and variation*).

Write-down at the Point of Non-Viability

If a Non-Viability Event (as defined below) occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down Date, as more particularly described in Condition 11 (*Write-down at the Point of Non-Viability*). In such circumstances, the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally written-down in whole and the Certificates shall be cancelled. See Condition 11 (*Write-down at the Point of Non-Viability*).

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

Dissolution Events

Subject to Condition 12 (*Dissolution Events and Winding-up*), if a Bank Event occurs and, if so requested in writing by the Certificateholders of at least one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders in accordance with Condition 12.1 (*Bank Events*), the Trustee and/or the Delegate shall, subject to Condition 12.3 (*Winding-up, dissolution or liquidation*), take the actions referred to therein.

Withholding Tax

Subject to Condition 9.2 (*Payments subject to Applicable Laws*) and Condition 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 Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay Additional Amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto.

In addition, the Transaction Documents provide that payments thereunder by the Bank (in its capacity as the Mudareb) shall be made free and clear of and without withholding or deduction, for and on account of, any Taxes, unless such withholding or deduction is required by law and, in such case,

	provide for the payment by the Bank of Additional Amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.
	Notwithstanding any other provision of the Conditions, the Trustee and the Paying Agents shall be permitted to withhold or deduct any amounts imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or any regulations thereunder or official interpretations thereof), any intergovernmental agreement facilitating the implementation thereof, implementing legislation adopted by another jurisdiction in connection with these provisions, or any agreement with the United States Internal Revenue Service (**FATCA withholding**). None of the Trustee, the Delegate or any Agent will have any obligation to pay Additional Amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Trustee, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.
Trustee Covenants	The Trustee has agreed to certain restrictive covenants as set out in Condition 6 (*Covenants*).
Ratings	The Bank has been assigned long term ratings of "A-" with a "stable outlook" by Fitch. The United Arab Emirates has been assigned a credit rating of "Aa2" with a "stable" outlook by Moody's Singapore.
	Moody's Singapore is not established in the European Union and has not applied for registration under the CRA Regulation. The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch and Moody's is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.
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 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).
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 the DFSA for the Certificates to be admitted to listing on the Official List and to NASDAQ Dubai for the Certificates to be admitted to trading on NASDAQ Dubai.
Transaction Documents	The Declaration of Trust, the Agency Agreement and the Mudaraba Agreement (and any other agreements, deeds,

undertakings or other documents designated as such by the parties thereto) are referred to herein as the **Transaction Documents**.

Governing Law

The Declaration of Trust, the Certificates, the Conditions, 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 Mudaraba Agreement will be governed by, and construed in accordance with, the laws of Dubai and to the extent applicable, the federal laws of the UAE.

Waiver of Immunity

To the extent that the Bank 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, the Bank will agree in the Transaction Documents not to claim and will irrevocably and unconditionally waive such immunity in relation to any legal proceedings. Further, the Bank 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 (*Waiver of Immunity*).

Limited Recourse

Proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in any of the Trustee, the Delegate, the Bank, any of the 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 the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents (to the extent that each of the Delegate and the Agents (as applicable) fulfils all of its respective obligations under the Transaction Documents to which it is a party) or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets.

The Bank 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 (*Subordination*) and Condition 12.3 (*Winding-up, dissolution or liquidation*), have direct recourse against the Bank to recover payments due to the Trustee from the Bank

	pursuant to such Transaction Documents notwithstanding any other provision of Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Bank in connection with the enforcement of any such claim. See Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*) for further details.
Selling Restrictions	There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the Cayman Islands, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar, Japan, Hong Kong, Malaysia, Singapore 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 the Bank (as Mudareb) as Mudaraba Capital pursuant to the terms of the Mudaraba Agreement as described in "*Use of Proceeds*".

TERMS AND CONDITIONS OF THE 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:

Noor Tier 1 Sukuk Limited (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 Tier 1 Capital Certificates (the **Certificates**) in an aggregate face amount of U.S.$500,000,000. The Certificates are constituted by a declaration of trust (the **Declaration of Trust**) dated 1 June 2016 (the **Issue Date**) made between the Trustee, Noor Bank PJSC (the **Bank**) and BNY Mellon Corporate Services Limited as the delegate of the Trustee (the **Delegate**, which expression shall include all persons for the time being appointed as the delegate or delegates under the Declaration of Trust).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the **Agency Agreement**) made between the Trustee, the Bank, the Delegate, The Bank of New York Mellon, London Branch as principal paying agent (in such capacity, the **Principal Paying Agent** and together with any further or other paying agents appointed from time to time in respect of the Certificates, the **Paying Agents**), The Bank of New York Mellon (Luxembourg) S.A. as registrar (in such capacity, the **Registrar**) and as transfer agent (in such capacity, the **Transfer Agent** and, together with the Registrar and any further or other transfer agents appointed from time to time in respect of the Certificates, the **Transfer Agents**) and The Bank of New York Mellon, London Branch 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 (*Interpretation*)). 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: (i) to contribute the sums paid by it in respect of its Certificate(s) to the Mudareb (as defined in Condition 5 (*The Trust*)) in accordance with the Mudaraba Agreement (as defined in Condition 5 (*The Trust*)); (ii) to act as Rab-al-Maal 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 below)); and (iii) to enter into each Transaction Document, subject to the provisions of the Declaration of Trust and these Conditions.

1 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:

Accountholder means each of the persons (other than another clearing system) who is for the time being shown in the records of either Euroclear and/or Clearstream, Luxembourg as the holder of a particular aggregate face amount of such Certificates;

Additional Amounts has the meaning given to it in Condition 13 (*Taxation*);

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

Assets means the consolidated gross assets of the Bank as shown (if required by any relevant party) in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of the Bank, but adjusted for subsequent events in such manner as the Directors, the Auditors or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Bank) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

Auditors means, at any time, the statutory independent auditors to the Bank 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 (*Form and Denomination*);

Bank Event means:

(i) **Non-payment**: the Bank (acting in its capacity as Mudareb) fails to pay an amount which is equivalent to principal or profit (including Additional Amounts) due and payable by it pursuant to the Mudaraba Agreement and the failure continues for a period of (in the case of principal) 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); or

(ii) **Insolvency**: a final determination is made by a court or other official body that the Bank 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 the Bank; or

(iii) **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 Bank or the Bank 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) **Analogous Event**: any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in paragraphs (ii) or (iii) above;

Basel III means the reforms to the international regulatory capital framework issued by the Basel Committee on Banking Supervision as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for international credit institutions (including guidance on the eligibility criteria for tier 1 capital and tier 2 capital instruments);

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;

Basel III Implementation Date means the date from which legislation, regulations, rules or other measures implementing Basel III in the UAE (or, if the Central Bank ceases to have primary bank supervisory authority with respect to the Bank, in the jurisdiction of the relevant entity having primary bank supervisory authority with respect to the Bank) are applied to the Bank;

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 the Bank 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 the Bank or whose purchase is funded by the Bank) of the Certificates is excluded (in full or, to the extent not prohibited by relevant regulatory criteria for Tier 1 Capital, in part) from the consolidated Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);

Capital Event Amount in relation to a Certificate means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

Capital Event Profit Amount means, on the date of final constructive liquidation of the Mudaraba pursuant to subclause 7.3(c) of the Mudaraba Agreement, an amount equal to one per cent. of the Mudaraba Capital on such date;

Capital Regulations means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the United Arab Emirates, including those of the Financial Regulator;

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

Certificateholders means the several persons in whose names the Certificates are for the time being registered (as set out in the Register) as the holders thereof save that for so long as the Certificates or any part of them are represented by a Global Certificate held on behalf of Euroclear or Clearstream, Luxembourg each Accountholder shall be deemed to be the holder of the aggregate face amount of Certificates held in its securities accounts with Euroclear and Clearstream, Luxembourg (and the person in whose name the Global Certificate is registered (as set out in the Register) shall not be deemed to be the holder) for all purposes other than with respect to payments on the Certificates, the right to which shall be vested, as against the Trustee and the Delegate, solely in the registered holder of the Global Certificate in accordance with and subject to its terms and the expressions **Certificateholder** 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 and, from the Basel III Implementation Date, as common equity tier 1 as implemented in Applicable Regulatory Capital Requirements at such time;

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;

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

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

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 Bank Event and/or a Trustee Event;

Dissolution Notice has the meaning given to it in Condition 12.1 (*Bank Events*);

Dissolution Request has the meaning given to it in Condition 12.1 (*Bank Events*);

Distributable Profits means:

(i) for the Initial Period, the sum of: (A) the Bank's consolidated profits; and (B) if greater than zero, the Bank'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 calculated by the Bank based on its latest audited or (as the case may be) auditor reviewed consolidated financial statements; or

(ii) for any period thereafter, the amount of the Bank'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 calculated by the Bank based on its latest audited or (as the case may be) auditor reviewed consolidated financial statements;

Effective Date means the date on which the Financial Regulator delivers a written notification to the Bank which has the effect that a Capital Event would arise if the provisions of Condition 11 (*Write-down at the Point of Non-Viability*) are, at the relevant time, not effective;

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 the Bank in the United Arab Emirates;

First Call Date means 1 June 2021;

First Mudaraba Profit Distribution Date means 1 December 2016;

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

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) (*Periodic Distribution Rate*);

Junior Obligations means all claims of the holders of Ordinary Shares and all payment obligations of the Bank in respect of its Other Common Equity Tier 1 Instruments;

LCIA means the London Court of International Arbitration;

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

Margin means 4.905 per cent. per annum;

Mudaraba has the meaning given to it in Condition 5 (*The Trust*);

Mudaraba Agreement has the meaning given to it in Condition 5 (*The Trust*);

Mudaraba Assets has the meaning given to it in Condition 5 (*The Trust*);

Mudaraba Capital has the meaning given to it in Condition 5 (*The Trust*);

Mudaraba End Date means the date on which the Mudaraba ends, being the date on which the Certificates are redeemed in whole but not in part in accordance with these Conditions;

Mudaraba Profit has the meaning given to that term in the Mudaraba Agreement;

Mudaraba Profit Distribution Date means 1 June and 1 December 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 (*The Trust*);

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

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

Non-Viability Event means that the Financial Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without:

(i) a Write-down; or

(ii) 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 no later than 10 Business Days (or such earlier date as determined by the Financial Regulator) after the date of the Non-Viability Notice;

Non-Viability Notice has the meaning given to it in Condition 11.3 (*Non-Viability Notice*);

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

Ordinary Shares means ordinary shares of the Bank, having on the Issue Date a par value of AED 1.00 each;

Other Common Equity Tier 1 Instruments means securities issued by the Bank that qualify as Common Equity Tier 1 Capital of the Bank 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, and if the Certificates are redeemed following a Capital Event, shall include a further profit amount in an amount equal to the Capital Event Profit Amount;

Pari Passu Obligations means all subordinated payment obligations of the Bank 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 (*Payment only on a Payment Business Day*);

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

Periodic Distribution Date means 1 June and 1 December in each year, starting on (and including) 1 December 2016;

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;

Proceedings has the meaning given to it in Condition 20.5 (*Submission to jurisdiction*);

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) (*Periodic Distribution Rate*);

Qualifying Tier 1 Instruments means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Ordinary Shares or other equity securities, issued directly or indirectly by the Bank that:

(i) will be eligible to constitute Tier 1 Capital on issue;

(ii) 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 the Bank (provided that in making this determination the Bank 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) (*Redemption or Variation due to Taxation*) or Condition 10.1(d) (*Redemption or Variation for Capital Event*) (as the case may be));

(iii) continue to be obligations of the Bank, directly or indirectly or by a guarantee or equivalent support undertaking by the Bank;

(iv) rank on a winding-up at least *pari passu* with the Relevant Obligations;

(v) have at least the same face value amount and profit distribution dates as the Certificates and at least equal profit or distribution rate or rate of return as the Certificates;

(vi) (where the Certificates are varied prior to the First Call Date) have a first call date no earlier than the First Call Date; and

(vii) have the same optional redemption dates as the Certificates,

and which may include such technical changes as necessary to reflect the requirements of Tier 1 Capital under the Capital Regulations then applicable to the Bank (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 (*The Trust*);

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

Rab-al-Maal Final 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 (*Form and Denomination*);

Registered Account has the meaning given to it in Condition 9.1 (*Payments in respect of the Certificates*);

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 (*Notices*);

Relevant Jurisdiction means the Cayman Islands (in the case of any payment made by the Trustee) and the United Arab Emirates and/or the Emirate of Dubai (in the case of any payment made by the Bank) 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 4.2.1 (*Subordination*);

Relevant Five Year Reset Rate means the mid-swap rate for U.S. dollar swap transactions with a maturity of five years displayed on Reuters page "ISDAFIX1" (or such other page as may replace that page on Bloomberg, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at or around 11.00 a.m. (New York time) on the Determination Date. If the correct mid swap rate does not appear on that page, the five year U.S. dollar mid swap rate shall instead be determined by the Calculation Agent on the basis of the arithmetic mean of quotations provided by the principal office of each of four major banks in the U.S. dollar swap market of the rates at which swaps in U.S. dollars are offered by it at approximately 11.00 a.m. (New York time) on the Determination Date to participants in the U.S. dollar swap market for a five-year period, expressed as a percentage and rounded, if necessary, to the nearest 0.0001 per cent. (0.00005 per cent. being rounded upwards). If on any Determination Date fewer than four, or none, of the four major banks in the U.S. dollar swap market provides the Calculation Agent with the quotations referred to in the foregoing sentence, the Relevant Five Year Reset Rate shall be determined to be the Relevant Five Year Reset Rate as at the last preceding Reset Date or, in the case of the first Determination Date, shall be determined to be the mid-swap rate, as mentioned in the first sentence of this definition, as at the Issue Date;

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

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

Reset Period means the period from (and including) the first Reset Date to (but excluding) the 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 (x) the Mudaraba End Date and (y) the next succeeding Reset Date;

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

Senior Creditors means creditors of the Bank (including depositors (in respect of their due claims) and, for this purpose, holders of any instrument issued by, or other obligation of, the Bank 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 the Bank (including payment obligations to the Bank's depositors) and all subordinated payment obligations (if any) of the Bank except Pari Passu Obligations and Junior Obligations;

Solvency Conditions has the meaning given to it in Condition 4.2.2 (*Subordination*);

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

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

Substituted Territory has the meaning given to it in Condition 12.2 (*Trustee Events*);

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

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

Tax Event means the Bank 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 the Bank (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 the Bank or the Trustee (as the case may be) taking reasonable measures available to it);

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

Tax Redemption Amount in relation to a Certificate, means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

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 (*The Trust*);

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 (*The Trust*);

Trustee Call Amount in relation to a Certificate, means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

Trustee Event means any of the following events:

(i) **Non-Payment**: default is made in the payment of the Dissolution Distribution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of any Periodic Distribution Amount only, such default continues for a period of seven days; or

(ii) **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 sole 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

(iii) **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

(iv) **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 (ii) or (iii) above;

For the purpose of subparagraph (i) 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 (*Periodic Distributions*)) 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) (*Limited Recourse and Agreement of Certificateholders*) (save in each case where such insufficient funds arise solely as a result of the occurrence of a Non-Payment Event or a Non-Payment Election);

Trustee's Territory has the meaning given to it in Condition 12.2 (*Trustee Events*); and

Write-down means:

(i) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) shall automatically be deemed to be irrevocably and unconditionally written down in whole;

(ii) the Certificates shall be cancelled; and

(iii) all 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) 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.

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

2 Form, Denomination and Title

2.1 Form and Denomination

The 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, société anonyme (**Clearstream, Luxembourg**). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. 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 (*Closed Periods*) and 3.5 (*Regulations*) 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 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 Agency Agreement. The Regulations may be changed by the Trustee from time to time with the prior written approval of the Delegate and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

The holder of Certificates shall be entitled to receive, in accordance with Condition 3.2 (*Delivery of New Certificates*), 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 (*Delivery of New Certificates*).

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 the Bank in respect of the Relevant Obligations are subordinated as described in Condition 4.2 (*Subordination*).

4.2 Subordination

4.2.1 The payment obligations of the Bank under the Mudaraba Agreement (including all payments which are the equivalent of principal and profit) (the **Relevant Obligations**) will (a) constitute Tier 1 Capital of the Bank, (b) constitute direct, unsecured, conditional and subordinated obligations of the Bank, (c) rank subordinate and junior to all Senior Obligations but not further or otherwise, (d) rank *pari passu* with all other Pari Passu Obligations and (e) subject to the Solvency Conditions (as defined below) being satisfied at the relevant time and no bankruptcy order having been issued in respect of the Bank by a court in the United Arab Emirates, rank in priority only to all Junior Obligations.

4.2.2 The rights and claims of the Trustee against the Bank 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 the Bank are conditional upon the following (together, the **Solvency Conditions**):

(i) the Bank (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;

(ii) the Bank (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations and still be Solvent immediately thereafter; and

(iii) the total share capital (including, without limitation, retained earnings) of the Bank 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 Certificates.

4.2.3 The Trustee has agreed in the Mudaraba Agreement that the Bank 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 (a) where the Bank (in its capacity as Mudareb or otherwise) is Solvent and/or (b) 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 the Bank (in its capacity as Mudareb or otherwise).

4.2.4 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 United Arab Emirates, 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.

4.2.5 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 (*Winding-up, dissolution or liquidation*).

4.2.6 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 the Bank for the Relevant Obligations and any collateral that may have been or may in the future be given in connection with other obligations of the Bank shall not secure the Relevant Obligations.

4.2.7 Nothing in these Conditions shall affect or prejudice the payment of the 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.

4.3 Other Issues

So long as any of the Certificates remain outstanding, the Bank (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 consolidated basis) issued Tier 1 Capital of the Bank 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 the Bank'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 (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in any of the Trustee, the Delegate, the Bank, 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 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;

(d) 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 the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents (to the extent that each of the Delegate and the Agents (as applicable) fulfils all of its respective obligations under the Transaction Documents to which it is a party), 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 (to the extent that each of the Delegate and the Agents (as applicable) fulfils all of its respective obligations under the Transaction Documents to which it is a party);

(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, officer, 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.

The Bank 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 (*Subordination*) and Condition 12.3 (*Winding-up, dissolution or liquidation*), have direct recourse against the Bank to recover payments due to the Trustee from the Bank pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Bank in connection with the enforcement of any such claim.

5 The Trust

5.1 Noor Tier 1 Sukuk Limited (in its capacity as Trustee and as the **Rab-al-Maal**) will enter into a mudaraba agreement (the **Mudaraba Agreement**) to be dated the Issue Date with the Bank (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 (*Purchase*) (the **Mudaraba Capital**). The Mudareb will invest the Mudaraba Capital 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**) 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 transaction account (the **Transaction Account**) in its own name with the Principal Paying Agent (details of which are set out in the Declaration of Trust) 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 (*Trustee Events*), the Substituted Trustee will be required to open a new transaction account in its name with the Principal Paying Agent 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 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 the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clauses 12.1 and 12.8 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 and the Registered Office Agreement in its capacity as trustee administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any Liability incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in their capacities as Principal Paying Agent, Calculation Agent, Registrar and Transfer Agent;

(c) third, only if such payment is due on a Periodic Distribution Date, and subject to Condition 8 (*Periodic Distribution Restrictions*), 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 the Bank.

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 (*Redemption and variation*);

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

(g) have any subsidiaries or employees;

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

(i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents have been paid in full, 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 the Bank 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 the Bank (in its capacity as Mudareb or otherwise).

7.2 Periodic Distribution Amounts

Subject to Conditions 4.2.4 (*Subordination*), 4.4 (*Limited Recourse and Agreement of Certificateholders*), 7.3 (*Cessation of Accrual*), 8 (*Periodic Distribution Restrictions*), 9 (*Payments*) and 11 (*Write-down at the Point of Non-Viability*), 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 (i) falling prior to and including the first Reset Date shall be U.S.$31.25 per U.S.$1,000 in face amount of the Certificates and (ii) falling after the first Reset Date shall be the relevant amount calculated pursuant to Condition 7.4 (*Periodic Distributions*).

7.3 Cessation of Accrual

Subject to Conditions 4.2.4 (*Subordination*), 8 (*Periodic Distribution Restrictions*) and 11 (*Write-down at the Point of Non-Viability*), 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 (*Periodic Distribution Restrictions*), 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 Distributions*). 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 right to receive such Periodic Distribution Amount at any time, even if Periodic Distribution Amounts are paid in the future.

Subject to Condition 8 (*Periodic Distribution Restrictions*), Periodic Distribution Amounts shall be payable on the Certificates semi-annually in arrear on each Periodic Distribution Date (other than the first Periodic Distribution Date), in each case as provided in this Condition 7 (*Periodic Distributions*).

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 face amount of the relevant Certificate; 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 Five Year Reset Rate on the relevant Determination Date, as determined by the Calculation Agent.

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, NASDAQ Dubai 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 (*Notices*). To the extent that the Calculation Agent is unable to notify NASDAQ Dubai, or any other stock exchange on which the Certificates are for the time being listed, the Calculation Agent shall notify the Bank, who shall procure the performance of such obligation.

(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 name of the initial Calculation Agent and its initial specified office is set out at the end of these Conditions.

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) (*Determinations of Calculation Agent or Trustee Binding*) fails duly to determine the Profit Rate in respect of any Reset Period as provided in Condition 7.4(a) (*Periodic Distribution Rate*), 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 (*Periodic Distributions*), whether by the Calculation Agent or the Trustee (or its agent), shall (in the absence of manifest error) be binding on the Trustee, the Bank, the Calculation Agent, the Paying Agents, the Delegate and all Certificateholders and (in the absence of manifest error) no liability to the Trustee, the Bank, any Agent, the Delegate and the Certificateholders shall attach to the Calculation Agent, or 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 to be paid as part of the Outstanding Payments shall include a further profit amount in an amount equal to the Capital Event Profit Amount.

8 Periodic Distribution Restrictions

8.1 Non-Payment Event

Notwithstanding Condition 7.4 (*Periodic Distributions*), if any of the following events occurs (each, a **Non-Payment Event**), the Bank (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:

(i) the amount equal to the then applicable Periodic Distribution Amount to be paid by the Bank 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 the Bank (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 Profits; or

(ii) the Bank (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 the Bank 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) the Bank 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 the Bank 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).

8.2 Non-Payment Election

Notwithstanding Condition 7.4 (*Periodic Distributions*), the Bank 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 the Bank shall, in each 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 (*Non-Payment Election*) 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 the Bank shall (i) in the case of a Non-Payment Election, no later than 7 calendar days prior to such event, and (ii) 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 (*Notices*) in each case providing details of the Non-Payment Election or Non-Payment Event, as the case may be. 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 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. The Bank 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) and the Trustee shall not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts.

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 (*Non-Payment Event*) or 8.2 (*Non-Payment Election*) (as the case may be), then, from the date of such Non-Payment Election or Non-Payment Event (the **Dividend Stopper Date**), the Bank will not, so long as any of the Certificates are outstanding:

(i) 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 the Bank (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or

(ii) 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 the Bank 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 Tier 1 Capital applicable from time to time; or

(iii) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any class of shares issued by the Bank; or

(iv) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Bank 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 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 (*Payments subject to Applicable Laws*), 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 (*Payments*), 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 (*Taxation*).

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 (*Non-Payment Event*) 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 only on a Payment Business Day*), **Payment Business Day** means a day on which commercial banks and foreign exchange markets in 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 (*Notices*).

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 Conditions 4.2 (*Subordination*), 11 (*Write-down at the Point of Non-Viability*) and Condition 12.3 (*Winding-up, dissolution or liquidation*) and without prejudice to the provisions of Condition 14 (*Prescription*)) only have the right to redeem the Certificates or vary the terms thereof in accordance with the following provisions of this Condition 10 (*Redemption and Variation*).

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

(i) (except to the extent that the Financial Regulator no longer so requires) the Bank having obtained the prior consent of the Financial Regulator;

(ii) (except to the extent that the Financial Regulator no longer so requires) at the time when the relevant notice of redemption or variation is given, the Bank is in compliance with the Applicable Regulatory Capital Requirements;

(iii) (except to the extent that the Financial Regulator no longer so requires) immediately following such redemption or variation (as applicable), the Bank 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) (*Redemption or Variation due to Taxation*) or 10.1(d) (*Redemption or Variation for Capital Event*) only) the Tax Law Change or Capital Event, as the case may be, becomes, or would become, effective on or after the Issue Date.

(b) Trustee's Call Option

Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) and to the Delegate in accordance with the Declaration of Trust, which notice shall be irrevocable, 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) (*Trustee's Call Option*) 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) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) and the provisions of this Condition 10.1(c) (*Redemption or Variation due to Taxation*), if a Tax Event occurs, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) and to the Delegate in accordance with the Declaration of Trust, which notice shall be irrevocable, (a) redeem all, but not some only, of the Certificates at the Tax Redemption Amount; or (b) vary the terms of the Mudaraba Agreement 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 the Bank 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 (*Subordination*), Condition 11 (*Write-down at the Point of Non-*

Viability) and Condition 12.3 (*Winding-up, dissolution or liquidation*) and without prejudice to the provisions of Condition 14 (*Prescription*)) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10 (*Redemption and Variation*).

(ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(c) (*Redemption or Variation due to Taxation*) 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) (*Redemption or Variation due to Taxation*), the Bank 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) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) 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 (i) 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) (*Redemption or Variation due to Taxation*) and the Delegate shall be entitled to accept and rely on such certificate as sufficient evidence of the satisfaction such conditions precedent without liability to any person. Upon expiry of such notice, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

The Capital Regulations, as in force at the time of implementation of Basel III reforms in the UAE, may oblige the Bank to demonstrate to the satisfaction of the Financial Regulator that (among other things) the Tax Law Change was not reasonably foreseeable as at the Issue Date.

(d) Redemption or Variation for Capital Event

(i) Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) and the provisions of this Condition 10.1(d) (*Redemption or Variation for Capital Event*), if a Capital Event occurs, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) and to the Delegate in accordance with the Declaration of Trust, which notice shall be irrevocable, (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 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 the Bank 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 (*Subordination*), Condition 11 (*Write-down at the Point of Non-Viability*) and Condition 12.3 (*Winding-up, dissolution or liquidation*) and without prejudice to the provisions of Condition 14 (*Prescription*)) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10 (*Redemption and Variation*).

(ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(d) (*Redemption or Variation for Capital Event*) 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) (*Redemption or Variation for Capital Event*), the Bank 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) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (B) a Capital Event has occurred; and (C), in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and the Financial Regulator has confirmed that they satisfy limb (i) 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) (*Redemption or Variation for Capital Event*) and the Delegate shall be entitled to accept and rely on such certificate as sufficient evidence of the satisfaction such conditions precedent without liability to any person. Upon expiry of such notice the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

The Capital Regulations, as in force at the time of implementation of Basel III reforms in the UAE, may oblige the Bank to demonstrate to the satisfaction of the Financial Regulator that (among other things) the Capital Event was not reasonably foreseeable as at the Issue Date.

(e) Taxes upon Variation

In the event of a variation in accordance with Conditions 10.1(c) (*Redemption or Variation due to Taxation*) or 10.1(d) (*Redemption or Variation for Capital Event*), none of the Trustee, the Delegate and the Bank 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 the Bank (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, the Bank or any of its Subsidiaries, may at any time 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 the Bank or the relevant Subsidiary (as the case may be) and the relevant Certificateholder(s). Upon any such purchase, the Bank shall deliver such Certificates to any Paying Agent for cancellation and upon such cancellation, the Mudaraba Capital shall be reduced by the 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 (*Purchase*) and which the Bank delivers for cancellation in accordance with Condition 10.2 (*Purchase*), will forthwith be cancelled and accordingly may not be held, reissued or resold.

11 Write-down at the Point of Non-Viability

11.1 Effectiveness of this Condition 11

The provisions of this Condition 11 (*Write-down at the Point of Non-Viability*) will apply with effect from (and including) the Effective Date. Forthwith following the occurrence of the Effective Date, the Bank shall give notice of such occurrence to the Trustee and the Principal Paying Agent in accordance with clause 25 of the Agency Agreement and the Trustee shall then give notice of such occurrence to the Certificateholders in accordance with Condition 17 (*Notices*).

11.2 Non-Viability Event

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 11.3 (*Non-Viability Notice*).

It is the Mudareb's current intention to procure, to the extent permitted under applicable regulations and the terms and conditions or articles and by-laws governing its capital instruments, that a Write-down will take place: (1) after the common shares in the Mudareb absorb losses (if and to the extent such loss absorption is permitted at the relevant time under all relevant rules and regulations applicable to the Mudareb at such time) and the Financial Regulator has not notified the Mudareb in writing that the relevant Non-Viability Event has been cured as a result of such loss absorption; and (2) simultaneously with the write-down of any of the Mudareb's other obligations in respect of Tier 1 Capital and any other trust certificates and other instruments related to the Mudareb's other obligations constituting Tier 1 Capital; and (3) prior to the write-down or write-off of any of the

Mudareb's obligations in respect of tier 2 capital and any other trust certificates and other instruments related to the Mudareb's other obligations constituting tier 2 capital. However, the Mudareb may at any time depart from this policy at its sole discretion.

11.3 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 thereof in accordance with the Mudaraba Agreement and the Trustee will then notify the Delegate and the Certificateholders thereof and the Principal Paying Agent in accordance with Condition 17 (*Notices*) (a **Non-Viability Notice**). A Write-down will occur on the Non-Viability Event Write-down Date and, with effect from such date, the Mudaraba Agreement will be automatically terminated 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 the Bank, 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 Bank Events

If a Bank Event occurs, the Delegate (provided it shall have been given notice in writing thereof by the Trustee or the Bank or otherwise upon becoming aware of the Bank Event) shall promptly give notice of the occurrence of such Bank Event to the Certificateholders in accordance with Condition 17 (*Notices*) 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 one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of Certificateholders, shall (but in each case subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*)), give notice (a **Dissolution Notice**) to the Trustee that the Certificates are immediately due and payable at the aggregate face amount of the outstanding Certificates together with any Outstanding Payments, whereupon the aggregate face amount of the outstanding Certificates 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

(i) The Bank 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:

(A) 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;

(B) 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 give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to Condition 13 (*Taxation*) with the substitution for or the addition to the references in that Condition to the Trustee's Territory of references to the Substituted Territory whereupon the Declaration of Trust and the Certificates shall be read accordingly (and the Bank 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 (*Taxation*), extending its obligations thereunder to the Substituted Territory);

(C) 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;

(D) the Trustee, the Substituted Trustee and the Bank comply with such other requirements as the Delegate may direct in the interests of the Certificateholders; and

(E) such substitution would not, in the sole opinion of the Delegate, be materially prejudicial to the interests of the Certificateholders.

(ii) Subject to this Condition 12.2 (*Trustee Events*), 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).

(iii) If the Bank fails to comply with the foregoing provisions of this Condition 12.2 (*Trustee Events*) within 60 days of the occurrence of the relevant Trustee Event, Conditions 12.1 (*Bank Events*) and 12.3 (*Winding-up, dissolution or liquidation*) shall apply to the relevant Trustee Event as if it was a Bank Event.

12.3 Winding-up, dissolution or liquidation

(a) Proceedings for Winding-up

If a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1 (*Bank Events*), 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, subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*), if so requested in writing by the Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding (subject in each case to Condition 12.3(e)(i) (*Realisation of Trust Assets*)) (i) institute any steps, actions or proceedings for the winding-up of the Bank and/or (ii) prove in the winding-up of the Bank and/or (iii) institute any steps, actions or proceedings for the bankruptcy of the Bank and/or (iv) claim in the liquidation of the Bank and/or (v) take such other steps, actions or proceedings which, under the laws of the United Arab Emirates, have an analogous effect to the actions referred to (i) to (iii) 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 any such steps, actions or proceedings as described in this Condition 12.3(a) (*Proceedings for Winding-up*), 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 the Bank with respect to any sum that the Bank 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 the Bank as a result of any steps, actions or proceedings taken pursuant to Condition 12.1 (*Bank Events*), nor will the Trustee or the Delegate accept the same, otherwise than during or after a winding-up (or analogous event) of the Bank, unless the Bank has given prior written notice (with a copy to the Trustee and the Delegate) to, and received no objection from, the Financial Regulator (which the Bank shall confirm in writing to the Trustee and the Delegate).

(b) Enforcement

Without prejudice to Condition 12.1 (*Bank Events*) and the remaining provisions of this Condition 12.3 (*Winding-up, dissolution or liquidation*), the Trustee (or the Delegate) may at its discretion and the Delegate shall, subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*), if so requested in writing by the Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding and without further notice (subject in each case to Condition 12.3(e)(i) (*Realisation of Trust Assets*)) institute such steps, actions or proceedings against the Bank or against the Trustee, as it may think fit to enforce any term or condition binding on the Bank or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of the Bank under or arising from the Transaction Documents, including, without limitation, payment of any principal or premium 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 the Bank to procure the substitution of the Trustee in the circumstances described in Condition 12.2 (*Trustee Events*). However, in no event shall the Bank, 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 (*Winding-up, dissolution or liquidation*) shall, however, prevent the Trustee (or the Delegate) from taking such steps, actions or proceedings as described in Condition 12.3(a) (*Proceedings for Winding-up*) in respect of any payment obligations of the Bank 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 the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Trustee and/or the Bank 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 (*Write-down at the Point of Non-Viability*), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim and (ii) the provisions of Condition 4.2.4, irrespective of whether the breach of a Solvency Condition at the relevant time or the issue of a bankruptcy order in respect of the Bank occurs prior to or after the event which is the subject matter of the claim, in each case provided that nothing in these Conditions shall affect or prejudice the payment of the 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 the Bank, other than as referred to in this Condition 12 (*Dissolution Events and Winding-up*), 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 the Bank 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 actions, steps or proceedings referred to in these Conditions in respect of the Bank 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 (*Dissolution Events and Winding-up*)), unless (1) it shall have been so requested by an Extraordinary Resolution of the Certificateholders or in writing by Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding and (2) 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 the Bank or to take the actions, steps or proceedings referred to in Conditions 12.3(a) (*Proceedings for Winding-up*) and 12.3(b) (*Enforcement*) above, unless (i) the Trustee or the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or the Bank, as the case may be) holds at least one-fifth of the then outstanding aggregate face amount of the Certificates, in which case the Certificateholders shall have only such rights against the Bank as those which the Trustee or the Delegate is entitled to exercise as set out in Condition 12.1 (*Bank Events*) and this Condition 12.3 (*Winding-up, dissolution or liquidation*).

(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 the Bank shall be to enforce their respective obligations under the Transaction Documents.

(iv) The foregoing paragraphs in this Condition 12.3(e) (*Realisation of Trust Assets*) are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds thereof 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) 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 additional amounts (**Additional Amounts**) so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto, except that no such Additional Amount shall be payable in relation to any payment in respect of any Certificate:

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

(b) presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Business Day.

In these Conditions, references to the Dissolution Distribution Amount or any Periodic Distribution Amounts (and related expressions including, without limitation, the **face amount** of the Certificates 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, the Trustee and the Paying Agents shall be permitted to withhold or deduct any amounts imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or any regulations thereunder or official interpretations thereof), any intergovernmental agreement facilitating the implementation thereof, implementing legislation adopted by another jurisdiction in connection with these provisions, or any agreement with the U.S. Internal Revenue Service (**FATCA withholding**). None of the Trustee, the Delegate or any Agent will have any obligation to pay Additional Amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Trustee, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

The Mudaraba Agreement provides that payments made thereunder by the Bank (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 and, in such case and/or if Additional Amounts are payable by the Trustee in respect of the Certificates, provides for the payment by the Bank of such Taxes and/or amounts equal to such Additional Amounts so that the full amount which would otherwise have been due and payable to the Trustee and/or under the Certificates is received by the Trustee.

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.

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 duties, powers (including the power to sub-delegate), trusts, rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together the **Delegation** of the **Relevant Powers**), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, 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 (*Dissolution Events and Winding-up*), 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 the Bank 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 the Bank 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 depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of 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 the Bank 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 contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Bank 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, the Bank, the Registrar, the Paying Agent or the Transfer Agent may 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. Any such notice will be deemed to have been given on the day after being so mailed. 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 (being a day other than a Saturday or a Sunday) after being so mailed (or on the date of publication, or if so published more than once or on different dates, on the date of the first publication).

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 for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more Eligible Persons (as defined in the Declaration of Trust) present holding or representing in aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned such meeting two or more Eligible Persons whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, inter alia, (i) to modify any date for payment in respect of the Certificates, (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates, (iii) to change any of the Trustee's and the Bank's covenants set out in the Transaction Documents, (iv) to alter the currency of payment or denomination of the Certificates, (v) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (vi) to sanction any such scheme or proposal or substitution as is described in paragraphs 5.9(i) and 5.9(j) of Schedule 4 to the Declaration of Trust, or (vii) 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 two or more Eligible Persons holding or representing in aggregate not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., 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 resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (a **Written Resolution**) or (iii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval 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 (in a form satisfactory to the Delegate) 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**). 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 (i) agree to any modification to these Conditions, any provisions of the Transaction Documents or to the Trustee's memorandum and articles of association which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (ii) agree to any modification (other than in respect of a Reserved Matter) of these Conditions, the Declaration of Trust, any other Transaction Document or the Trustee's memorandum and articles of association, 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 (iii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of paragraphs (i) and (ii) that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders (except as set out in the Declaration of Trust) 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 one-fifth of the outstanding aggregate face amount of the Certificates.

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

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 (*Notices*).

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), the Agency Agreement 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 (*Option to Litigate*), 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 (*Arbitration*). For these purposes:

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

(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 appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly, shall each nominate one arbitrator. If one party or both parties fail to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

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

20.3 Option to Litigate

Notwithstanding Condition 20.2 (*Arbitration*) above, the Delegate or (only where permitted to take action in accordance with the terms of the Declaration of Trust) any Certificateholder may in the alternative, and at its sole discretion, by notice in writing to the Trustee and the Bank (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 (*Submission to jurisdiction*) and any arbitration commenced under Condition 20.2 (*Arbitration*) in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by the Trustee, failing which the Bank), 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 or (but only where it is permitted to take action in accordance with the terms of the Declaration of Trust) any Certificateholder must promptly give notice to the LCIA 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, 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 (*Option to Litigate*), 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 jurisdiction to settle any Dispute and each of the Trustee and the Bank submits to the jurisdiction of such courts;

(b) each of the Trustee, the Delegate and the Bank agrees that the courts of England and 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 (*Submission to jurisdiction*) is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (a) above, the Delegate and the Certificateholders may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Delegate and the Certificateholders may take concurrent Proceedings in any number of jurisdictions.

20.6 Appointment of Process Agent

Each of the Trustee and the Bank has, in the Declaration of Trust, appointed Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Woodward Street, London EC2V 7EX as its agent for service of process and has undertaken that, in the event of Law Debenture Corporate Services Limited 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 (*Appointment of Process Agent*). Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

20.7 Waiver of Immunity

Under the Transaction Documents to which it is a party, the Bank 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, the Bank 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, the Delegate and the Bank has irrevocably agreed in the Declaration of Trust that if any arbitration is commenced in relation to a Dispute and/or any Proceedings are brought by or on behalf of a party under the Declaration of Trust, it will (i) not claim interest under, or in connection with, such arbitration and/or Proceedings; and (ii) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of such arbitration and/or by a court as a result of such Proceedings.

(b) For the avoidance of doubt, nothing in this Condition 20.8 (*Waiver of Interest*) shall be construed as a waiver of rights in respect of Mudaraba Profit, Final Mudaraba Profit, Periodic Distribution Amounts, Outstanding Payments or profit of any kind howsoever described payable by the Bank or the Trustee 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 ownership interests in a global certificate in registered form (the **Global Certificate**). The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream and will be registered in the name of a nominee for the common depositary. 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 the expressions **Certificateholder** and **holder of Certificates** and related expressions shall be construed accordingly. In addition, holders of ownership 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 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

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

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

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), 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 (*Notices*) if an Exchange Event occurs. For these purposes, **Exchange Event** means that: (i) a Dissolution Event has occurred; or (ii) the 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. In the event of the occurrence of an Exchange Event, any of the Trustee 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 within 10 days following the request for exchange for completion and dispatch to the Certificateholders. 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.

USE OF PROCEEDS

The net proceeds of the Certificates will be paid by the Trustee (as Rab-al-Maal) to the Bank (as Mudareb) as contribution of the Mudaraba Capital pursuant to the terms of the Mudaraba Agreement.

DESCRIPTION OF THE TRUSTEE

The Trustee

Noor Tier 1 Sukuk Limited (the **Trustee**), an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 6 August 2015 under the Companies Law (as amended) of the Cayman Islands with company registration number 302781. The Trustee has been established as an exempt company for the sole purposes of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102 Cayman Islands, telephone number +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 each, 250 of which have been issued at the date of this Prospectus. All of the issued shares (the **Shares**) are fully-paid and are held by MaplesFS Limited as share trustee (in such capacity, the **Share Trustee**) under the terms of a declaration of trust (the **Share Declaration of Trust**) under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit one or more Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

The Business of the Trustee

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

So long as any of the Certificates remain outstanding, the Trustee shall not engage in any business or activity (other than acquiring and holding assets in connection with the Certificates, issuing the Certificates and entering into related agreements and transactions as provided for in the Transaction Documents).

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

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

Restrictions on the Offer of the Certificates

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

Financial Statements

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

Directors of the Trustee

The directors of the Trustee are as follows:

Name	**Principal Occupation**
Nishma Sanghvi..	Assistant Vice-President, Maples Fund Services (Middle East) Limited
Cleveland Stewart	Senior Vice-President, MaplesFS Limited

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

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

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

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

The Administrator

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

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

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

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

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

SELECTED FINANCIAL INFORMATION

The following tables set out in summary form the statement of financial position, income statement, statement of comprehensive income and statement of cash flows information relating to the Bank, as well as certain key financial ratios. Such information has been extracted from the Financial Statements or calculated based on information derived from the Financial Statements. The Financial Statements appear elsewhere in this Prospectus. The financial information presented below should be read in conjunction with "Presentation of financial and other information", "Risk factors", "Financial review" and the Financial Statements.

INCOME STATEMENT

	For the year ended 31 December		
	2013	**2014**	**2015**
		(AED million)	
Operating income			
Income from Islamic financing and sukuk	678.7	895.2	1,130.0
Depositors' share of profit	(270.9)	(238.4)	(242.4)
Net income from Islamic financing	**407.8**	**656.8**	**887.7**
Fee and other income, net of charges	211.6	296.6	513.2
(Loss) / Gain on investments in Islamic sukuk	7.3	31.0	(3.7)
Change in fair value of investment properties	5.9	28.3	-
Total operating income	**632.6**	**1,012.7**	**1,397.2**
Operating expenses			
General and administration expenses	(129.4)	(127.3)	(132.7)
Staff costs	(235.0)	(340.0)	(479.1)
Depreciation	(23.9)	(21.5)	(26.4)
Total operating expenses	**(388.3)**	**(488.8)**	**(638.3)**
Operating profit before impairment on investments in Islamic financing instruments	**244.3**	**523.9**	**758.9**
Impairment charge on Islamic financing instruments	(43.9)	(122.6)	(198.1)
Operating profit after impairment on investments in Islamic financing instruments before reversal of impairment loss on land and buildings	**200.4**	**401.3**	**560.8**
Reversal of impairment on land and buildings	55.0	276.8	-
Profit for the year	**255.4**	**678.1**	**560.8**

STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December		
	2013	**2014**	**2015**
		(AED million)	
Profit for the year	255.4	678.1	560.8
Other comprehensive income			
Items that will not be classified to the income statement			
Gain on revaluation of land and buildings	7.6	120.3	-
Items that may subsequently be reclassified to the income statement			
Fair value reserve on available for sale Islamic sukuk			
Net changes in fair value	(1.8)	2.3	8.5
Net realised gain transferred to income statement	(1.4)	(20.8)	5.8
Total other comprehensive income / (loss)	**4.4**	**101.9**	**14.3**
Total comprehensive income for the year	**259.8**	**779.9**	**575.2**

STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2013	**2014**	**2015**
		(AED million)	
ASSETS			
Cash and balances with the UAE Central Bank	3,491.9	3,391.7	7,446.1
Due from banks	2,340.7	2,992.2	4,600.2
Investments in Islamic financing instruments	14,345.2	18,036.8	23,206.9
Investments in Islamic sukuk	1,811.3	2,881.3	2,441.9
Investment properties	213.8	1,266.6	1,231.7
Other assets	179.7	227.8	320.5
Property and equipment	768.9	216.6	217.2
Total assets	**23,151.5**	**29,013.0**	**39,464.5**
LIABILITIES AND EQUITY			
Liabilities			
Customer deposits	18,663.6	23,851.0	32,148.7
Wakalah term deposits	770.9	544.2	544.2
Due to banks	853.2	542.2	376.9
Sukuk financing instruments	-	-	1,836.5
Other liabilities	420.5	802.3	1,045.6
Total liabilities	**20,708.2**	**25,739.7**	**35,951.9**
Equity			
Share capital	3,307.9	3,307.9	3,357.9
Subscribed share capital	-	50.0	-
Statutory reserve	89.1	156.9	213.0
Revaluation surplus on land and buildings	7.6	127.9	124.6
Cumulative changes in fair value of available for sale Islamic sukuk	(1.5)	(20.0)	(5.6)
Accumulated losses	(959.8)	(349.5)	(177.3)
Total equity	**2,443.3**	**3,273.2**	**3,512.6**

	As at 31 December		
	2013	2014	2015
	(AED million)		
Total liabilities and equity	**23,151.5**	**29,013.0**	**39,464.5**

STATEMENT OF CASH FLOWS

	Year ended 31 December		
	2013	2014	2015
	(AED million)		
Net cash generated from / (used in) operating activities	(50.4)	1,037.5	1,411.7
Net cash from / (used in) investing activities	14.6	(1,535.1)	(945.5)
Net cash (used in) / from financing activities	—	(176.7)	1,500.7
Cash and cash equivalents at the start of the year	2,892.8	2,857.0	2,182.7
Cash and cash equivalents at the end of the year	2,857.0	2,182.7	4,149.6

KEY FINANCIAL RATIOS

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

	As at and for the year ended 31 December		
	2013	2014	2015
	(% unless otherwise stated)		
Net profit margin(1)	2.4	3.1	3.3
Financing/total assets(2)	62.0	62.2	58.8
Customer deposits/total funding(3)	92.0	95.6	92.1
Financing/customer deposits	76.9	75.6	72.2
Liquid assets ratio(4)	29.3	30.1	35.8
Cost to income ratio(5)	61.4	48.3	45.7
Return on equity (Adjusted)(6)	8.7	14.0	16.5
Return on assets (Adjusted)(7)	1.0	1.5	1.6
Impaired financings ratio(8)	9.5	7.3	4.7
Impairment provisions/impaired financings(9)	95.0	105.5	112.9
Capital adequacy ratio(10)	17.6	18.1	15.2
Tier I risk assets ratio(10)	13.9	14.6	12.2

Notes:

(1) Net income from Islamic financing divided by average profit earning assets (with the average calculated by dividing the sum of the Bank's profit earning assets at the start and end of the year by two).

(2) Financing for this purpose is Investments in Islamic financing instruments.

(3) Total funding for this purpose is Customer deposits, Wakalah term deposits, Due to banks and Sukuk financing instruments.

(4) Total liquid assets (comprising the sum of Cash and balances with the UAE Central Bank, the net of Due from banks and Due to banks and Investment in Islamic sukuk) divided by total assets.

(5) Total operating expenses divided by total operating income.

(6) Profit for the year (excluding reversal of impairment loss on land and buildings, which is a non-recurring item) divided by average shareholders' equity (with the average calculated by dividing the sum of the Bank's shareholders' equity at the start and end of the year by two). Return on Equity based on profit for the year (including reversal of impairment loss on land and buildings) was 11% in 2013, 23.7% in 2014 and 16.5% in 2015.

(7) Profit for the year (excluding reversal of impairment loss on land and buildings, which is a non-recurring item) divided by average total assets (with the average calculated by dividing the sum of the Bank's total assets at the start and end of the year by two). Return

on Assets based on profit for the year (including, where applicable, reversal of impairment loss on land and buildings) was 1.2% in 2013, 2.6% in 2014 and 1.6% in 2015.

(8) Impaired financings divided by gross financings.

(9) Total impairment provisions divided by impaired financings.

(10) Calculated in accordance with UAE Central Bank regulations.

FINANCIAL REVIEW

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

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

OVERVIEW

The Bank commenced operations on 7 January 2008. It provides a range of corporate and retail banking services, principally to customers in the UAE, and conducts treasury operation from the UAE.

The Bank's principal activities comprise the provision of financing to its customers, which generates profit income and fee income, and limited investment activities, which principally relate to its portfolio of investment sukuk and generate profit income and trading gains or losses. The Bank's principal source of funding is its customer deposits.

The Bank's focus is on exploiting growth opportunities in the Islamic banking industry through penetrating new markets and expanding its operations in existing markets, increasing its product range and increasing its cross-selling activities.

As at 31 December 2015, the Bank had total investments in Islamic financing instruments of AED 23.2 billion and total customer deposits of AED 32.1 billion. For the year ended 31 December 2015, the Bank recorded total operating income of AED 1,397.2 million and profit for the year of AED 560.8 million. Reflecting its relatively short operating history, as at 31 December 2015, the Bank had accumulated losses of AED 177.3 million.

PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, the Bank's results of operations.

Economic conditions

The Bank's income and results of operations are affected by economic and market conditions in the UAE. Based on IMF data following the conclusion of its Article IV consultation with the UAE in August 2015, the UAE's real GDP has grown at levels of 7.2 per cent. in 2012 and 4.3 per cent. in 2013. Based on IMF data in the IMF's April 2016 World Economic Outlook, the UAE's real GDP grew by 4.6 per cent. in 2014 and 3.9 per cent. in 2015. According to the IMF, Banks in the UAE enjoyed strong deposit growth in 2013 and 2014 which boosted liquidity in the banking system but this deposit growth had slowed by April 2015 because of lower government and customer deposit inflows. The IMF believes that UAE banks remain sufficiently capitalised, and that non-performing loans have continued to decline from their post-crisis peak. These conditions have supported the Bank's growth in 2013, 2014 and 2015.

However, some of the principal risks identified by the IMF in its August 2015 staff report were:

- persistently lower oil prices whose effects could be exacerbated by falling liquidity in the banking system, increased volatility in stock markets, and disruptive declines in the real estate sector. This could lead to asset quality deterioration in UAE banks. Higher interest rates in the United States could pose rollover risks and trigger an intensification in liquidity strains on the Dubai government and government related entities (**GREs**) with negative effects on domestic banks. By contrast, geopolitical deterioration could raise global energy prices and support the UAE's external position. A lifting of sanctions on Iran could also be beneficial for non-hydrocarbon growth in the UAE; and
- Dubai's megaprojects, if not implemented prudently, may create financial risks for Dubai's GREs, banks and ultimately the government in light of debts that accumulated during the 2008 global financial crisis.

International oil prices have fallen significantly since mid-2014 and this fall is likely to have an adverse effect on the UAE's economy and its banking sector generally. See "*Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The UAE's economy is highly dependent upon its oil revenue*".

Factors affecting net income from Islamic financing

The Bank's net income from Islamic financing is a major contributor to its total operating income, comprising 63.5 per cent. of total operating income in 2015, 64.9 per cent. in 2014 and 64.5 per cent. in 2013. The Bank's net income from Islamic financing is the difference between the income earned by it on Islamic financing and investment sukuk and the profit shares paid by it to its depositors.

The Bank's net income from Islamic financing is affected by a number of factors. It is primarily determined by the volume of income-earning assets relative to profit-bearing liabilities, as well as the differential between rates earned on income-earning assets and rates paid on profit-bearing liabilities. The Bank's income-earning assets principally comprise its customer financing portfolio and the fixed income sukuk held by it. The Bank's profit-bearing liabilities principally comprise its customer deposits.

The Bank's average earning assets (determined on the basis of balances of Due From Banks, Investments in Islamic Financing Instruments and Investments in Islamic Sukuk at the start and end of each year) were AED 17,053.5 million in 2013, AED 21,203.7 million in 2014 and AED 27,079.6 million in 2015, corresponding to growth rates of 24.3 per cent. in 2014 and 27.7 per cent. in 2015.

The Bank's average balances of Islamic financing instruments and sukuk, which carry generally higher profit rates than its other earning assets and generally higher profit rates than its funding, were AED 14,374.9 million in 2013, AED 18,537.3 million in 2014 and AED 23,283.4 million in 2015, corresponding to growth rates of 29.0 per cent. in 2014 and 25.6 per cent. in 2015.

The Bank's average funding (determined on the basis of balances of customer deposits, *wakalah* term deposits, Due to Banks and Sukuk financing instruments at the start and end of each year) was AED 17,868.1 million in 2013, AED 22,612.5 million in 2014 and AED 29,921.8 million in 2015, corresponding to growth rates of 26.6 per cent. in 2014 and 32.3 per cent in 2015.

During 2015, the Bank earned an average yield (calculated as Income from Islamic Financing and Sukuk/average earning assets) of 4.2 per cent. on its earning assets (compared to 4.2 per cent. during 2014 and 4.0 per cent. during 2013) while maintaining an average cost of funds (calculated as depositors' share of profit/average funding) of 0.8 per cent. (compared to 1.1 per cent. during 2014 and 1.5 per cent. during 2013) which resulted in an increase in the Bank's net income from Islamic financing, which grew by 61.1 per cent. in 2014 and by 35.2 per cent. in 2015. In addition, growth in the Bank's financing portfolio also contributed to growth in its net fee and other income, which grew by 40.1 per cent. in 2014 and by 73.1 per cent. in 2015.

Together, the Bank's net income from Islamic financing and its net fee and other income (including gain / loss on investments in Islamic sukuk) constituted 100 per cent. of its total operating income in 2015, 97.2 per cent. in 2014 and 99.1 per cent. in 2013.

Impairment charges

The Bank reviews its financial assets on a regular basis for indications of impairment, whether at an individual asset level (in the case of significant financial assets) or collectively (for financial assets that are not individually significant or assessed as impaired). The Bank's impairment policy on financial assets is described in note 3.9 to the 2015 Financial Statements.

The Bank was officially launched in January 2008, shortly before the onset of the global financial crisis. By the end of 2011, the Bank had recorded AED 1.8 billion in impairment charges in relation to its financing portfolio, principally in relation to the real estate, contracting and trade sectors.

The Bank continues to record net impairment charges related to Islamic financing and these amounted to AED 43.9 million in 2013, AED 122.6 million in 2014 and AED 198.1 million in 2015, with impairment reversals amounting to AED 220.0 million in 2013, AED 99.1 million in 2014 and AED 142.9 million in 2015. The Bank seeks to prudently manage its impaired portfolio. The Bank's cash recoveries on its impaired portfolio amounted to AED 208.1 million in 2013, AED 62.9 million in 2014 and AED 68.0 million in 2015.

As discussed under "-*Economic conditions*" above, any significant deterioration in economic conditions could negatively affect the ability of the Bank's customers, particularly those in cyclical industry sectors (such as financial services and real estate) which are often the most significantly affected by the economic downturn, and could result in the Bank recording specific and/or increased collective impairment charges in respect of the affected customers, their industries or specific financings.

SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with IFRS. For a discussion of the accounting policies applied by the Bank generally, see note 3 to the 2015 Financial Statements.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the Bank's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Bank's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenue and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the Bank's financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Bank's financial statements, see note 2.4 to the 2015 Financial Statements, which identifies:

- the determination of impairment losses on investments in Islamic financing instruments;

- the classification of investments in Islamic sukuk as held to maturity;
- the determination of the fair value of investment properties and land and buildings; and
- the determination of the estimated useful lives and residual value of property and equipment

as the significant areas in which there is estimation uncertainty and where critical judgment is required when applying the accounting policies that have the most significant effect on the amounts recognised in the 2015 Financial Statements.

RESULTS OF OPERATIONS

Comparison of 2014 and 2015

Net income from Islamic financing

The Bank's net income from Islamic financing reflects the difference between the amount of profit income that it earns from Islamic financing provided by it to customers and from its sukuk investment portfolio and the amount of profit share that it pays to its depositors.

Income from Islamic financing and sukuk

The table below shows the breakdown of the Bank's income from Islamic financing (broken down by type of financing provided) and the Bank's profit income from its sukuk investment portfolio in each of 2014 and 2015.

	2014		**2015**	
	(AED million)	*(% of total)*	*(AED million)*	*(% of total)*
Wakalah	23.0	2.6	16.5	1.5
Ijarah	153.5	17.2	195.5	17.3
Murabahah	626.2	69.9	824.8	73.0
	802.7	**89.7**	**1,036.8**	**91.8**
Profit income on sukuk	92.5	10.3	93.2	8.2
Total income from Islamic financing and sukuk	**895.2**	**100.0**	**1,130.0**	**100.0**

The Bank's total income from Islamic financing and sukuk in 2015 amounted to AED 1,130.0 million compared to AED 895.2 million in 2014, an increase of AED 234.8 million, or 26.2 per cent. This increase principally reflected growth in the Bank's corporate and retail banking financing portfolio in line with the Bank's strategy.

The Bank principally uses:

- *wakalah* financings mainly for the purpose of placements with financial institutions;
- *ijarah* transactions for residential home finance, commercial real estate and corporate financings; and
- *murabahah* transactions for Islamic credit cards and for vehicle and corporate financing.

See note 3.15 to the 2015 Financial Statements for a brief description of each of these types of financing transactions.

Depositors' share of profit

The table below shows the breakdown of profit shares paid by the Bank to its depositors (broken down by deposit type) in each of 2014 and 2015.

	2014		2015	
	(AED million)	*(% of total)*	*(AED million)*	*(% of total)*
Wakalah term deposits	220.0	92.3	220.3	90.9
Mudarabah savings deposits	15.5	6.5	18.4	7.6
Mudarabah term deposits	2.9	1.2	3.7	1.5
Total depositors' share of profit	**238.4**	**100.0**	**242.4**	**100.0**

The total depositors' share of profit in 2015 amounted to AED 242.4 million compared to AED 238.4 million in 2014, an increase in 2015 of AED 4.0 million, or 1.7 per cent. This increase is mainly in line with the increase in customer deposits from AED 23.9 billion as of 31 December 2014 to AED 32.1 billion as of 31 December 2015.

Reflecting the above factors, the Bank's net income from Islamic financing increased by AED 230.9 million, or 35.2 per cent., in 2015 from AED 656.8 million in 2014 to AED 887.7 million.

Other operating income

In addition to its net income from Islamic financing, the Bank also derives net fee income as well as income from realised and unrealised gains made on its held for trading sukuk investments and realised gains made on its available for sale sukuk investments and changes in the fair value of its investment properties.

The table below shows the breakdown of the Bank's other operating income in each of 2014 and 2015.

	2014		2015	
	(AED million)	*(% of total)*	*(AED million)*	*(% of total)*
Fee and other income, net of charges	296.6	83.3	513.2	100.7
Gain / (loss) on investments in Islamic sukuk	31.0	8.7	(3.7)	(0.7)
Change in fair value of investment properties	28.4	8.0	-	-
Total other operating income	**356.0**	**100.0**	**509.5**	**100.0**

The Bank's total other operating income increased by AED 153.5 million, or 43.1 per cent., in 2015, from AED 356.0 million in 2014 to AED 509.5 million in 2015. This reflected increases in each of the categories of other operating income, as described below.

The Bank's total fee and other income, net of charges increased by AED 216.6 million, or 73.1 per cent., in 2015, from AED 296.6 million in 2014 to AED 513.2 million in 2015. This was primarily due to an AED 94.5 million, or 146.7 per cent., increase in transactional and deposit related fees resulting from initiatives mainly undertaken by the Corporate and Retail Bank, which also provided comparatively greater opportunities for cross selling across the Bank's other business groups and units. Further trade-related fees increased by AED 24.9 million, or 47.4 per cent., in 2015 commensurate with the increase in the trade financing volumes handled by the bank across its multiple business segments. The Bank's net foreign exchange income increased by AED 65.3 million, or 121.7 per cent., in 2015, principally as a result of increased focus on cross-selling. The Bank's facility arrangement and processing fees increased by AED 17.0 million, or 14.8 per cent., in 2015.

In 2015, the Bank incurred a loss of AED 3.7 million on investments in Islamic sukuk compared to a gain of AED 31 million in 2014. The loss in 2015 principally resulted from a general deterioration in fixed income market conditions compared to the market conditions in 2014.

Operating expenses

The Bank's operating expenses comprise general and administration expenses, staff costs and depreciation. The table below shows the breakdown of the Bank's operating expenses in each of 2014 and 2015.

	2014		**2015**	
	(AED million)	*(% of total)*	*(AED million)*	*(% of total)*
Staff costs	340.0	69.6	479.1	75.1
General and administration expenses	127.3	26.0	132.8	20.8
Depreciation	21.5	4.4	26.4	4.1
Total operating expenses	**488.8**	**100.0**	**638.3**	**100.0**

The Bank's operating expenses increased by AED 149.5 million, or 30.6 per cent., in 2015, from AED 488.8 million in 2014 to AED 638.3 million, in line with growth in the Bank's business during that year.

The Bank's staff costs increased by AED 139.1 million, or 40.9 per cent., in 2015, from AED 340.0 million in 2014 to AED 479.1 million. The increase principally reflected an AED 108.3 million, or 37.8 per cent. increase in salaries and allowances from AED 286.7 million in 2014 to AED 395.0 million in 2015, which was mainly due to increasing staff numbers (with full time staff increasing from 551 at 31 December 2014 to 757 at 31 December 2015). The outsourced staff cost also increased by AED 23.3 million, or 90.1 per cent. from AED 25.9 million in 2014 to AED 49.2 million in 2015.

The Bank's general and administration expenses increased by AED 5.5 million, or 4.3 per cent., in 2015, from AED 127.3 million in 2014 to AED 132.8 million. The increase was principally reflected in IT related expenses and marketing and advertisements expenses which increased by AED 10.1 million and AED 7.0 million, respectively. This was offset by a decrease in facility management expenses of AED 5.3 million as a result of better cost management.

Operating profit before impairment on Islamic financing instruments

Reflecting all of the factors described above, the Bank's net operating profit before impairment charges on investment in Islamic financing instruments increased by AED 235.0 million, or 44.9 per cent. from 2014.

Impairment charges on investment in Islamic financing instruments

The Bank's impairment charge on Islamic financing instruments was AED 198.1 million in 2015 and AED 122.6 million in 2014. The increase of AED 75.5 million, or 61.6 per cent., is in line with the AED 5.2 billion growth in the Bank's Islamic financing portfolio. See "*Principal factors affecting results of operations—Impairment charges*" above.

__Operating profit before reversal of impairment loss on land and buildings__

Reflecting all of the factors described above, the Bank's net operating profit before reversal of impairment loss on land and buildings increased by AED 159.6 million, or 39.8 per cent. in 2015 from AED 401.3 million in 2014 to AED 560.8 million.

__Reversal of impairment loss on land and buildings__

There was no impairment loss reversal in 2015 compared to a reversal of impairment loss of AED 276.8 million in 2014 recorded in respect of certain land and buildings.

__Profit for the year__

Reflecting the changes in impairment charges described above, the Bank recorded a profit of AED 560.8 million in 2015 compared to a profit of AED 678.1 million in 2014.

__Total comprehensive income for the year__

The table below shows the composition of the Bank's total comprehensive income for each of 2014 and 2015.

	2014	**2015**
	(AED million)	
Profit for the year	678.1	560.8
Other comprehensive income		
__Items that will not be reclassified to the income statement__		
Gain on revaluation of land and buildings	120.3	-
__Items that may be subsequently reclassified to the income statement__		
Fair value reserve on available for sale Islamic sukuk		
Net changes in fair value	2.3	8.5
Net realised gain transferred to income statement	(20.8)	5.8
Total other comprehensive income	**101.9**	**14.3**
Total comprehensive income for the year	**779.9**	**575.1**

The Bank's comprehensive income principally comprises its profit for the year and, in 2014, an AED 120.3 million revaluation gain on certain land and buildings.

Comparison of 2013 and 2014

__Net income from Islamic financing__

The Bank's net income from Islamic financing reflects the difference between the amount of profit income that it earns from Islamic financing provided by it to customers and from its sukuk investment portfolio and the amount of profit share that it pays to its depositors.

Income from Islamic financing and sukuk

The table below shows the breakdown of the Bank's income from Islamic financing (broken down by type of financing provided) and the Bank's profit income from its sukuk investment portfolio in each of 2013 and 2014.

	2013		2014	
	(AED million)	*(% of total)*	*(AED million)*	*(% of total)*
Wakalah	19.5	2.9	23.0	2.6
Ijarah	120.5	17.7	153.5	17.2
Murabahah	457.3	67.4	626.2	69.9
	597.3	**88.0**	**802.7**	**89.7**
Profit income on sukuk	81.4	12.0	92.5	10.3
Total income from Islamic financing and sukuk	**678.7**	**100.0**	**895.2**	**100.0**

The Bank's total income from Islamic financing and sukuk in 2014 amounted to AED 895.2 million compared to AED 678.7 million in 2013, an increase of AED 216.5 million, or 31.9 per cent. This increase principally reflected growth in the Bank's corporate and retail banking financing portfolio in line with the Bank's strategy as well as growth in its sukuk portfolio. The growth in total income from Islamic financing and sukuk was also, to some extent, attributed to growth in better yielding assets, especially retail banking assets.

The Bank principally uses:

- *wakalah* financings mainly for the purpose of placements with financial institutions;
- *ijarah* transactions for home finance, commercial real estate and corporate financings; and
- *murabahah* transactions for Islamic credit cards and for vehicle and corporate financing.

See note 3.14 to the 2014 Financial Statements for a brief description of each of these types of financing transactions.

Depositors' share of profit

The table below shows the breakdown of profit shares paid by the Bank to its depositors (broken down by deposit type) in each of 2013 and 2014.

	2013		2014	
	(AED million)	*(% of total)*	*(AED million)*	*(% of total)*
Wakalah term deposits	256.8	94.8	220.0	92.3
Mudarabah savings deposits	9.8	3.6	15.5	6.5
Mudarabah term deposits	4.3	1.6	2.9	1.2
Total depositors' share of profit	**270.9**	**100.0**	**238.4**	**100.0**

The total depositors' share of profit in 2014 amounted to AED 238.4 million compared to AED 270.9 million in 2013, a decrease in 2014 of AED 32.5 million, or 12.0 per cent. This decrease principally reflected a decrease in the Bank's profit paying wakalah term deposits which was offset by growth in current and savings accounts which bear a lower funding cost than term deposits.

Reflecting the above factors, the Bank's net income from Islamic financing increased by AED 249.0 million, or 61.1 per cent., in 2014 from AED 407.8 million in 2013 to AED 656.8 million.

Other operating income

In addition to its net income from Islamic financing, the Bank also derives net fee income as well as income from realised and unrealised gains made on its held for trading sukuk investments and realised gains made on its available for sale sukuk investments and changes in the fair value of its investment properties.

The table below shows the breakdown of the Bank's other operating income in each of 2013 and 2014.

	2013		2014	
	(AED million)	*(% of total)*	*(AED million)*	*(% of total)*
Fee and other income, net of charges	211.6	94.1	296.6	83.3
Gain on investments in Islamic sukuk	7.3	3.3	31.0	8.7
Change in fair value of investment properties	5.9	2.6	28.4	8.0
Total other operating income	**224.8**	**100.0**	**356.0**	**100.0**

The Bank's total other operating income increased by AED 131.2 million, or 58.4 per cent., in 2014, from AED 224.8 million in 2013 to AED 356.0 million in 2014. This reflected increases in each of the categories of other operating income, as described below.

The Bank's total fee and other income, net of charges increased by AED 85.0 million, or 40.1 per cent., in 2014, from AED 211.6 million in 2013 to AED 296.6 million in 2014. This was primarily due to an AED 30.6 million, or 90.6 per cent., increase in transactional and deposit related fees resulting from initiatives undertaken by the Corporate Bank and Retail Bank, which also provided comparatively greater opportunities for cross selling across the Bank's other business groups and units. Corporate Banking also generated an increase in trade-related fees of AED 18.8 million, or 56.1 per cent., in 2014 as its business developed. The Bank's net foreign exchange income increased by AED 16.6 million, or 45 per cent., in 2014, principally as a result of increased cross-selling.

In 2014, the Bank's gain on investments in Islamic sukuk amounted to AED 31.0 million compared to AED 7.3 million in 2013. The increased gain in 2014 principally resulted from general improvement in fixed income market conditions compared to the market conditions in 2013, supplemented by an increase in sales activity to retail customers which therefore generated a greater volume of gains on the sales made.

In 2014, the change in the fair value of the Bank's investment properties amounted to AED 28.4 million compared to AED 5.9 million in 2013. The higher change in 2014 principally reflected improvements in the UAE real estate market.

Operating expenses

The Bank's operating expenses comprise its general and administration expenses, its staff costs and its depreciation charge. The table below shows the breakdown of the Bank's operating expenses in each of 2013 and 2014.

	2013		2014	
	(AED million)	*(% of total)*	*(AED million)*	*(% of total)*
Staff costs	235.0	60.5	340.0	69.6
General and administration expenses	129.4	33.3	127.3	26.0
Depreciation	23.9	6.2	21.5	4.4
Total operating expenses	**388.3**	**100.0**	**488.8**	**100.0**

The Bank's operating expenses increased by AED 100.5 million, or 25.9 per cent., in 2014, from AED 388.3 million in 2013 to AED 488.8 million. This increase reflected increased staff costs, offset by lower general and administration expenses and depreciation.

The Bank's staff costs increased by AED 105.0 million, or 44.7 per cent., in 2014, from AED 235.0 million in 2013 to AED 340.0 million. This increase principally reflected a 33.7 per cent. increase in salaries and allowances, which was mainly due to increasing staff numbers (with full time staff increasing from 404 at 31 December 2013 to 551 at 31 December 2014). In 2014, the Bank also outsourced certain back office operating activities to a service provider to achieve efficiency and cost savings which resulted in a cost for the year of AED 25.9 million.

The Bank's general and administration expenses fell by AED 2.1 million, or 1.6 per cent., in 2014, from AED 129.4 million in 2013 to AED 127.3 million. This decrease principally reflected an AED 22.7 million fall in marketing and advertisement expenses which was due to a re-branding exercise undertaken in 2013 and resulted in higher marketing and advertisement expenses in that year. The principal factor offsetting this fall was an increase of AED 14.4 million in facilities management expenses due to growth in the Bank's operations over the two years.

Operating profit before impairment on Islamic financing instruments

Reflecting all of the factors described above, the Bank's net operating profit before impairment charges on investment in Islamic financing instruments increased by AED 279.6 million, or 114.4 per cent. from 2013.

Impairment charges on investment in Islamic financing instruments

The Bank's impairment charge on Islamic financing instruments was AED 122.6 million in 2014 and AED 43.9 million in 2013, with the lower impairment charge in 2013 reflecting higher cash recoveries in that year. See "*Principal factors affecting results of operations—Impairment charges*" above.

Operating profit before reversal of impairment loss on land and buildings

Reflecting all of the factors described above, the Bank's net operating profit before reversal of impairment loss on land and buildings increased by AED 200.8 million, or 100.2 per cent. in 2014 from AED 200.5 million in 2013 to AED 401.3 million.

Reversal of impairment loss on land and buildings

In addition, in 2013 and 2014, the Bank reversed impairment losses of AED 276.8 million and AED 55.0 million which it had previously recorded in respect of certain land and buildings following an improvement in the UAE real estate market.

Profit for the year

Reflecting the changes in impairment charges described above, the Bank recorded a profit of AED 678.1 million in 2014 compared to AED 255.4 million in 2013.

Total comprehensive income for the year

The table below show the composition of the Bank's total comprehensive income for each of 2013 and 2014.

	2013	**2014**
	(AED million)	*(AED million)*
Profit for the year	255.4	678.1
Other comprehensive income		
Items that will not be reclassified to the income statement		
Gain on revaluation of land and buildings	7.6	120.3
Items that may be subsequently reclassified to the income statement		
Fair value reserve on available for sale Islamic sukuk		
Net changes in fair value	(1.8)	2.3
Net realised gain transferred to income statement	(1.4)	(20.8)
Total other comprehensive income	**4.4**	**101.9**
Total comprehensive income for the year	**259.8**	**779.9**

The Bank's comprehensive income principally comprises its profit for the year and, in 2014, an AED 120.3 million revaluation gain on certain land and buildings.

FUNDING AND LIQUIDITY

Funding

The table below shows the Bank's sources of funding as at 31 December in each of 2013, 2014 and 2015.

	As at 31 December		
	2013	**2014**	**2015**
	(AED million)		
Customer deposits	18,663.6	23,851.0	32,148.7
Wakalah term deposits	770.9	544.2	544.2
Due to banks	853.2	542.2	376.9
Total equity	2,443.3	3,273.2	3,512.6
Total funding	**22,731.0**	**28,210.6**	**36,582.4**

The Bank's principal source of funding is deposits, which accounted for 89.4 per cent. of its funding at 31 December 2015 compared to 86.5 per cent. at 31 December 2014 and 85.5 per cent. at 31 December 2013. The table below shows the Bank's deposits by type of deposit as at 31 December in each of 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
	(AED million)		
Customer deposits			
Wakalah – term	12,438.7	11,515.8	15,490.0
Mudarabah – savings	2,923.7	6,947.9	8,501.4
Mudarabah – term	304.8	212.4	321.2
Margin accounts	35.5	212.5	315.3
Qard-E-Hasan - demand	2,960.9	4,962.4	7,520.8
Total customer deposits	**18,663.6**	**23,851.0**	**32,148.7**
Wakalah term deposits	770.9	544.2	544.2
Total deposits	**19,434.5**	**24,395.2**	**32,692.9**

The Bank's principal deposit type is the wakalah – term, which is profit bearing. As at 31 December 2015, Wakalah deposits constituted 48.2 per cent. of the Bank's total customer deposits, compared to 48.3 per cent. at 31 December 2014 and 66.6 per cent. at 31 December 2013.

The Bank's Mudarabah deposits are also profit bearing, whilst its margin accounts and Qard-E- Hasan deposits do not pay any profit.

The table below shows a maturity profile (based on remaining contractual maturities) for the Bank's total deposits on an undiscounted basis, relating to both principal and profit payments, as at 31 December in each of 2013, 2014 and 2015.

	Carrying amount	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
	(AED million)					
2013	19,434.5	10,585.0	7,963.2	1,137.0	—	19,685.2
2014	24,395.2	13,958.2	8,049.1	2,142.6	696.3	24,846.1
2015	32,692.9	21,837.2	8,152.1	2,436.6	665.9	33,091.9

The majority of the Bank's deposits are short-term in nature although, in accordance with normal banking practice in the UAE, a significant proportion of these deposits tend to have much longer behavioural maturities as they are regularly rolled over. See "*Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Bank is subject to liquidity risk which could materially adversely affect its results of operations and, in an extreme case, could threaten its solvency*".

Liquidity

The Bank's principal sources of liquidity are the cash flows generated from its operating activities, its cash balances and its sukuk investment portfolio. The Bank is seeking to diversify its funding sources and the establishment of the Programme (as defined below under "*—Sukuk Issuance*") and issues under the Programme are an important step in this strategy and are also intended to help the Bank supplement its depositor base with longer term funding.

Cash flow

The table below summarises the Bank's cash flow from operating activities, investing activities and financing activities for each of 2013, 2014 and 2015.

	2013	2014	2015
		(AED million)	
Net cash (used in) / generated from operating activities	(50.4)	1,037.5	1,411.7
Net cash generated from / (used in) investing activities	14.6	(1,535.1)	(945.5)
Net cash (used in) / generated from financing activities	—	(176.7)	1,500.7
Cash and cash equivalents at the start of the year	2,892.8	2,857.0	2,182.7
Cash and cash equivalents at the end of the year	2,857.0	2,182.7	4,149.6

The Bank's net cash generated from operating activities in 2015 was AED 1,411.7 million compared to AED 1,037.5 million in 2014 and net cash used in operating activities of AED 50.4 million in 2013. The Bank's cash flows from operating activities before changes in operating assets and liabilities were AED 788.7 million in 2015, AED 488.9 million in 2014 and AED 256.9 million in 2013. These cash flows principally represent the Bank's profit for the year adjusted to reflect impairment losses and reversals.

The Bank's net cash from or used in investing activities principally reflects its purchases and sales of investment sukuk, the net outcome from purchases and redemptions of held to maturity sukuk and investments in certificates of deposit.

The Bank's net cash generated from financing activities in 2015 was AED 1,500.7 million, principally reflecting proceeds of AED 1,836.5 million from issuance of Sukuk financing instruments. In comparison, the Bank used net cash in financing activities of AED 176.7 million in 2014 which principally reflected the repayment of the Ministry of Finance Tier II wakalah deposit net of new Tier II wakalah deposits received during the year. In addition, AED 50 million in new share capital was subscribed in 2014. The Bank did not generate or spend any cash on financing activities in 2013.

Cash balances

The Bank has significant cash balances, the majority of which are held in various forms with the UAE Central Bank, which it is able to use as an additional source of liquidity. The table below shows the Bank's cash and bank balances as at 31 December in each of 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
		(AED million)	
Cash in hand	82.2	124.5	140.4
Current account with the UAE Central Bank	606.7	635.9	1,922.3
Certificates of deposit with the UAE Central Bank	2,000.0	1,050.0	2,900.0
Statutory deposit with the UAE Central Bank	803.0	1,581.3	2,483.4
Total cash and bank balances	**3,491.9**	**3,391.7**	**7,446.1**

The statutory deposit with the UAE Central Bank is not available to finance the day to day operations of the Bank, except in a crisis situation. All items in the table above, except the certificates of deposit, are non-profit paying. The certificates of deposit have carried profit rates ranging from 0 per cent. to 0.80 per cent. in each year under review.

Sukuk investment portfolio

The Bank maintains a portfolio of investment sukuk which it believes that it will be able to utilise as a source of liquidity, either through direct sale or to raise secured funding. The table below shows the classification of the Bank's sukuk investment portfolio by category of investment as at 31 December in each of 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
	(AED million)		
Available for sale	1,270.6	1,853.5	1,598.9
Held to maturity	327.1	735.0	764.2
Held for trading	213.6	292.8	78.8
Total investment sukuk	**1,811.3**	**2,881.3**	**2,441.9**

The Bank increased its portfolio of held to maturity sukuk in 2014 and 2015 in order to take advantage of market conditions to lock in investments at attractive yields.

Sukuk which are classified as held to maturity are sukuk which the Bank's management intends, and is able, to hold to maturity. Any sale of these sukuk prior to their maturity (other than sales in insignificant amounts) would result in the entire portfolio being reclassified as available for sale. Held to maturity sukuk are initially recognised at fair value and are then carried at amortised cost using the effective profit rate method, which is described in note 3.15 to the 2015 Financial Statements.

Sukuk which are classified as held for trading are those which management holds principally for the purpose of selling in the short-term. These are initially recognised at fair value and subsequently measured at fair value, with any changes in fair value being recognised in the income statement in the period in which they arise.

The remaining sukuk in the portfolio are classified as available for sale. These sukuk are initially recognised at fair value and subsequently measured at fair value, with any changes in fair value being recognised in the statement of comprehensive in the period in which they arise.

On any sale of held for trading sukuk or available for sale sukuk the resulting gain or loss is recognised in the income statement and, in the case of available for sale sukuk, any cumulative change in fair value previously recognised in equity through the statement of comprehensive income is then recognised in the income statement.

Sukuk Issuance

In April 2015, the Bank raised financing by way of a sukuk issued by Noor Sukuk Company Ltd. (a special purpose vehicle) amounting to U.S.$500.0 million (equivalent to AED 1,836.3 million) and maturing in April 2020 (the **2015 Sukuk**). The 2015 Sukuk carries a profit rate of 2.788 per cent. per annum payable semi-annually and is listed on NASDAQ Dubai. The 2015 Sukuk was the inaugural issuance under the U.S.$3.0 billion trust certificate issuance programme (the **Programme**) established by Noor Sukuk Company Ltd.

Other than the sukuk issuance described above, the Bank has not issued any other sukuk as at the date of this Prospectus.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Bank has no significant capital commitments, although minor commitments in respect of office units and equipment are described in note 27(b) to the 2015 Financial Statements and note 26(b) to the 2014 Financial Statements.

The Bank has significant contingent liabilities, reflecting undrawn credit commitments which it has made, guarantees which it has given and letters of credit it has advanced. The table below shows the Bank's contingent liabilities as at 31 December in each of 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
	(AED million)		
Undrawn credit commitments	3,731.1	5,136.5	6,754.7
Guarantees	2,134.3	2,797.2	3,155.9
Letters of credit	641.7	739.6	707.6
Total contingent liabilities	**6,507.1**	**8,673.3**	**10,618.2**

The majority of the undrawn credit commitments identified in the table above are revocable, with only 20.8 per cent. at 31 December 2015 being irrevocable. The irrevocable commitments are typically the undrawn portion of partly drawn working capital facilities and guarantee bonds issued on behalf of customers.

ANALYSIS OF CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

The Bank's principal assets are its investments in Islamic financing instruments (which are described under "*Investments in Islamic financing instruments*" below), its cash and balances with the UAE Central Bank (which are described under "*Funding and liquidity—Liquidity—Cash balances*" above), its interbank financing (which is described under "*Due from banks*" below) and its investments in Islamic sukuk (which are described under "*Funding and liquidity—Liquidity—Sukuk investment portfolio*" above).

The Bank's principal liabilities are its depositors' accounts which are described under "*Funding and liquidity-Funding*" above.

Investments in Islamic financing instruments

The table below shows details of the Bank's investments in Islamic financing instruments (which comprises its customer financing portfolio) as at 31 December in each of 2013, 2014 and 2015, classified by type of Islamic financing.

	As at 31 December		
	2013	2014	2015
	(AED million)		
Wakalah	500.0	400.0	-
Ijarah	3,085.5	3,618.1	4,880.3
Mudarabah	-	-	64.3
Murabaha	12,184.3	15,528.0	19,564.4
Gross investments in Islamic financing instruments	**15,769.8**	**19,546.1**	**24,509.0**
Less: Allowance for impairment	(1,424.6)	(1,509.3)	(1,302.1)
Net investments in Islamic financing instruments	**14,345.2**	**18,036.8**	**23,206.9**

The Bank's gross customer financing portfolio grew by AED 4,962.9 million, or 25.4 per cent., in 2015 and by AED 3,776.4 million, or 23.9 per cent., in 2014. This growth principally reflected increases of AED 4,036.4 million, or 26.0 per cent., in 2015 and of AED 3,343.7 million, or 27.4 per cent., in 2014 in murabaha transactions, which in turn reflected growth in the Bank's corporate and retail business in line with its strategy.

The table below shows details the movements in the Bank's allowance for impairment in each of 2013, 2014 and 2015.

	2013	2014	2015
		(AED million)	
At 1 January	1,615.6	1,424.6	1,509.3
Charge for the year	43.9[(1)]	122.6	198.0
	1,659.5	**1,547.2**	**1,707.3**
Written off during the year	(234.9)	(37.9)	(405.2)
At 31 December	**1,424.6**	**1,509.3**	**1,302.1**

Note:
(1) Charge for the year in 2013 is net of recovery/release amounting to AED 240 million.

The Bank's allowance for impairment principally relates to financings made by it in 2008 at the onset of the global financial crisis.

The table below shows details of the Bank's performing and non-performing investments in Islamic financing instruments as at 31 December in each of 2013, 2014 and 2015.

	As at 31 December		
	2013	**2014**	**2015**
		(AED million)	
Performing	13,930.7	17,735.2	22,597.3
Past due but not impaired	339.9	380.9	758.5
of which:			
0-29 days	*230.0*	*225.1*	*358.8*
30-59 days	*70.6*	*78.8*	*205.4*
60-89 days	*23.7*	*50.1*	*134.4*
90 days and above	*15.6*	*26.9*	*59.9*
Impaired but not past due	89.6	95.1	89.4
Past due and impaired	1,409.6	1,334.9	1,063.8
Total impaired	**1,499.2**	**1,430.0**	**1,153.2**
Gross investments in Islamic financing instruments	**15,769.8**	**19,546.1**	24,509.0
Less: Allowance for impairment	(1,424.6)	(1,509.3)	(1,302.1)
Net investments in Islamic financing instruments	**14,345.2**	**18,036.8**	**23,206.9**

As at 31 December 2015, the Bank's allowance for impairment amounted to 112.9 per cent. of its total impaired investments in Islamic financing instruments, compared to 105.5 per cent. at 31 December 2014 and 95.0 per cent at 31 December 2013.

The tables below show details of the Bank's gross investments in Islamic financing instruments as at 31 December in each of 2013, 2014 and 2015, classified by industry sector.

	As at 31 December		
	2013*	**2014****	**2015**
		(AED million)	
Construction and real estate	1,686.4	2,116.3	2,969.6
Financial institutions	4,354.1	3,645.2	3,981.3
Manufacturing	725.2	636.7	822.6
Consumer financing and credit cards	3,962.4	5,197.0	7,570.1
Trade	1,864.6	4,026.2	4,262.1

	As at 31 December		
	2013*	2014**	2015
		(AED million)	
Transport, storage and communication	1,352.7	1,762.4	1,994.2
Other services	1,824.4	2,163.2	2,909.1
Gross investments in Islamic financing instruments	**15,769.8**	**19,546.1**	**24,509.0**

Note:

* The 2013 figures are based on the industry sector classifications used in the 2014 Financial Statements.

** The 2014 figures are extracted from the 2014 comparative information included in the 2015 Financial Statements. These differ slightly from those included in the 2014 Financial Statements, to conform to the classification used in the 2015 Financial Statements.

	As at 31 December		
	2013	2014	2015
		(per cent.)	
Construction and real estate	10.7	10.8	12.1
Financial institutions	27.6	18.6	16.2
Manufacturing	4.6	3.3	3.4
Consumer financing and credit cards	25.1	26.6	30.9
Trade	11.8	20.6	17.4
Transport, storage and communication	8.6	9.0	8.1
Other services	11.6	11.1	11.9
Gross investments in Islamic financing instruments	**100.0**	**100.0**	**100.0**

As part of the Bank's growth and diversification strategy during 2015, there was an increase in the share of retail banking and a reduction in the exposure of the Bank to financial institutions.

As at 31 December 2015, government and government related entities accounted for 14.7 per cent. of the Bank's financing, compared to 21.6 per cent. as at 31 December 2014. The majority of these transactions were syndicated facilities with other bank financiers and all such transactions have been granted on an arm's-length basis.

Due from banks

In addition to its investments in Islamic financing instruments, the Bank also has deposits and current accounts with other banks as well as amounts owed under export bills. The table below shows details of the Bank's receivables from other banks as at 31 December in each of 2013, 2014 and 2015.

	As at 31 December		
	2013	2014	2015
		(AED million)	
Deposits with banks	904.6	1,290.9	2,488.9
Current accounts with banks	171.2	315.3	431.1
Export bills	1,264.9	1,386.0	1,680.2
Total due from banks	**2,340.7**	**2,992.2**	**4,600.2**

The increase in export bills in each of 2014 and 2015 principally reflected the Bank's increased focus on trade financing and reflects increased exporting activity by the Bank's corporate customers. Deposits with banks principally reflects the Bank's daily money market activities, which fluctuate significantly from day to day depending upon the Bank's liquidity position.

RELATED PARTY TRANSACTIONS

The Bank's principal related party transactions are with its shareholders, members of its key management team and entities controlled by any of them (including Dubai government related entities). These transactions include the provision of financing and the acceptance of deposits. Further information on the Bank's related party transactions in each of 2013, 2014 and 2015 is set out in note 26 to the 2015 Financial Statements and note 25 to the 2014 Financial Statements.

CAPITAL ADEQUACY

The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee and adopted by the UAE Central Bank in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

The Bank's regulatory capital consists of tier 1 capital (which comprises the sum of issued share capital, legal reserves and accumulated losses (including profit for the current period), less certain equity investments) and tier 2 capital (which comprises subordinated term investment, the Bank's collective impairment reserve limited to 1.25 per cent. of its risk weighted assets and its asset revaluation reserve).

The Bank manages its capital considering both regulatory and economic capital. The Bank calculates its risk asset ratio in accordance with requirements and guidelines established by the UAE Central Bank, which requires all UAE banks to maintain a ratio of total capital to total risk-weighted assets of at least 12 per cent. The UAE's Central Bank's requirements are broadly in line with those of the Basel II Accord which requires banks to maintain a minimum total capital adequacy ratio of 8 per cent. The Bank has capital adequacy ratios well in excess of these minimum requirements, as described below.

The Bank is currently compliant with Basel II having adopted the Standardised Approach for credit risk, the Basic Indicator Approach for operational risk and the Standardised Approach for market risk, consistent with UAE Central Bank requirements. The Bank's Internal Capital Adequacy Assessment Process provides a measurement process for all Pillar II risks which are inherent in the nature of the business and not covered under Pillar I.

In response to the global financial crisis, there has been a worldwide focus on the regulation of financial institutions, with many new regulations and changes in existing regulation having been implemented or in the process of being implemented. Examples of such new regulations include the new Basel III framework which aims to improve the banking sector's ability to absorb shocks arising from financial and economic stress, improve risk management and governance and strengthen banks' transparency and disclosures. The Bank expects to adopt the Basel III guidelines as and when the UAE Central Bank communicates its requirements in this regard. In the meantime, the Bank has begun an initial assessment of, and is committed to a speedy implementation of, Basel III.

The Bank's total capital adequacy ratios were 15.2 per cent. at 31 December 2015, 18.1 per cent. at 31 December 2014 and 17.6 per cent. at 31 December 2013. Its Tier I risk assets ratios were 12.2 per cent. at 31 December 2015, 14.6 per cent. at 31 December 2014 and 13.9 per cent. at 31 December 2013. Details of the manner in which the Bank calculates these ratios and its risk weighted assets are set out in note 29.6 to the 2015 Financial Statements and note 27.6 to the 2014 Financial Statements.

DISCLOSURES ABOUT RISK

The Bank is exposed to a number of financial risks and takes steps to mitigate certain of these risks as described in "*Risk management*" and in note 29 to the 2015 Financial Statements.

DESCRIPTION OF THE BANK

OVERVIEW

The Bank, which is privately owned, was established by the Government of Dubai in 2007 in line with the vision of the Ruler of Dubai, H.H. Sheikh Mohammed Bin Rashid Al Maktoum, to create a modern *Shari'a*-compliant bank to serve as a global Islamic bank with a futuristic outlook. The Bank officially commenced operations on 7 January 2008.

The Bank offers a comprehensive range of *Shari'a*-compliant products and services in corporate banking, retail banking, wholesale banking, wealth management, treasury and trading.

The four principal business groups through which the Bank conducts its operations are:

- Corporate Banking;
- Wholesale Banking;
- Retail Banking; and
- Treasury.

The Bank also provides Islamic insurance (or takaful) services through its Noor Takaful affiliates, which commenced operations in 2009.

The Bank launched and continues to operate the first 24 hour, seven days a week branch in the UAE. It currently has 15 branches which are located in the emirates of Abu Dhabi, Dubai and Sharjah. The Bank's head office is in Dubai and it also has 62 cash and cheque deposit machines (**CCDMs**) and automated teller machines (**ATMs**) across the UAE.

As at 31 December 2015, the Bank's customer financing portfolio was AED 23.2 billion, its customer deposits were AED 32.1 billion and its total assets were AED 39.5 billion. The Bank's profit for the year ended 31 December 2015 was AED 560.8 million and its total capital adequacy ratio and Tier 1 risk assets ratio were 15.2 per cent. and 12.2 per cent., respectively, at 31 December 2015.

The Bank was assigned a long term rating of "A-" with a "stable outlook" in October 2014 by Fitch which has been affirmed as of August 2015.

The Bank's registered office is at Building 1, Level 8, Emaar Square, Downtown Dubai, P.O. Box 8822, Dubai, UAE and its telephone number is +971 (0) 4 427 4343. The UAE Securities and Commodities Authority public joint-stock company registration renewal certificate registration number of the Bank is 218.

HISTORY

The Bank was established with initial equity in excess of U.S.$1 billion. The Bank is one of only two banks in UAE to be given a special exemption by the UAE Federal Cabinet to continue to operate as a private entity rather than listing its shares on a public stock exchange immediately upon incorporation as required under UAE Banking Law No.10 of 1980.

The Bank's initial Board was selected and nominated by the Government of Dubai through a Royal Decree.

The Bank opened in January 2008 with 10 branches covering Abu Dhabi, Dubai and Sharjah. Later in 2008, the Bank launched its online banking platform and, in 2013, it launched a mobile banking application.

In 2014, as part of a rebranding exercise, the Bank changed its name from Noor Islamic Bank to Noor Bank. Despite dropping the word Islamic from its name, the Bank remains committed to operating in accordance with Islamic principles and continues to develop and offer innovative *Shari'a*- compliant products and services.

During its relatively short operating history, the Bank has received more than 35 industry awards within the markets in which it operates. These awards include:

- "Best Performing Bank in the UAE" – World Islamic Banking Conference Performance Awards 2015;
- Mr. Hussain Al Qemzi was named "Islamic Banking CEO of the Year" – CEO Middle East Awards 2015;
- "Most Innovative Islamic Financial Institution" – Global Finance Magazine 2015;
- "Best Corporate Finance Solutions Provider" – Capital Finance International Magazine, London 2014;
- "Islamic Finance Bank of the Year Award" – Trade and Export Middle East 2013;
- "Best New Takaful Company & Best Takaful Marketing" – International Takaful Awards 2011;
- "Best New Bank in the Middle East Award" – Banker Middle East Industry Awards 2009; and
- "Best New Islamic Bank" – International Islamic Forum 2008.

SHAREHOLDERS AND SHARE OWNERSHIP

The Bank was established with an initial paid up capital of more than AED 3 billion. The Bank is one of only two banks in the UAE to be given special exemption by the UAE Federal Cabinet to continue to operate as a private entity, rather than listing its shares on a public stock exchange immediately upon incorporation as required under UAE Banking Law No. 10 of 1980.

The Bank was established in 2007 under the specific instruction of the Government of Dubai, with the shareholders and the Board of Directors also selected and nominated directly by the Government of Dubai. The Government of Dubai, members of the Ruling Family of Dubai and a select group of Government of Dubai nominated UAE nationals own 87.8 per cent. of the Bank's shares in aggregate.

The remaining shares are owned by a member of Abu Dhabi Ruling Family, the Government of the United Arab Emirates, acting through Emirates Investment Authority (**EIA**), and an employee stock ownership trust.

Significant shareholdings

The Government of Dubai, acting through the Office of the Crown Prince of Dubai, owns 25.73 per cent. of the Bank. HH Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum is the Crown Prince of Dubai, and is the Chairman of the Dubai Executive Council.

The Government of Dubai, acting through Investment Corporation of Dubai (**ICD**), owns 22.71 per cent. of the Bank. ICD is the investment arm of the Government of Dubai and was formed in May 2006 through the transfer of the Government's portfolio of investments previously managed by the

Dubai Department of Finance. Chaired by the Ruler of Dubai, ICD's current portfolio comprises shareholdings in a number of well-known Dubai companies including Emirates Airlines, Emirates NBD Bank, Dubai Islamic Bank, Commercial Bank of Dubai, Emirates National Oil Company Limited and Emirates Global Aluminium.

The Government of the United Arab Emirates acting through EIA, owns 4.70 per cent. of the Bank. EIA was established by Emiri decree in November 2007 and is a sovereign wealth fund for all seven emirates comprising the UAE. Chaired by HH Sheikh Mansour Bin Zayed Al Nahyan, EIA is dedicated to delivering sustained financial gains for the UAE.

No shareholder, other than the ones listed above, owns more than 5 per cent. of the Bank's shares.

In order to recognise and retain key employees, an employee stock ownership trust was introduced in 2013. According to the terms of this scheme, shares are held in trust on behalf of the potentially eligible employees and the legal ownership of these shares will only be transferred to the beneficiary employees once the legal and regulatory environment of the UAE permits the ownership to be so vested in the future. The employee stock ownership trust constitutes less than 5 per cent. of the Bank's share capital.

STRATEGY

Objective

The Bank's key objective is to become a world class leader in, and provider of, *Shari'a*-compliant financial products and services. To achieve this, the Bank's strategy is designed to exploit Islamic banking growth opportunities, both locally and internationally. The Bank is committed to developing and offering a broad spectrum of modern *Shari'a*-compliant financial products and services, with the aim of becoming the most recognised Islamic banking brand and the largest global financial institution in its field, thereby creating opportunities for its partners, shareholders and employees.

Strategic focus

The Bank believes that growth and development in the UAE economy are creating opportunities for the financial sector with new investments by companies, new entrants and growing trade flows. In addition, it believes that a market-wide move towards enhancing the role of the *Shari'a*-compliant financial sector in Dubai in line with the Ruler's vision to establish Dubai as the hub of the Islamic economy provides additional opportunities for progressive *Shari'a*-compliant banks.

With this background, the Bank's strategic focus is on growing its business through increased market penetration and diversification, enhanced product capabilities, focusing on cross selling and expanding its deposit base.

Increased market share

The Bank has adopted a universal bank model, offering products and services to corporate, wholesale, retail and treasury customers. The Bank has experienced growth above the industry average in Dubai in recent years and, while the Bank continues to focus on its existing corporate and wholesale banking franchise, it also intends to build on the various initiatives undertaken by the retail banking business with a view to increasing its market share significantly as part of its growth strategy.

The Bank has developed an innovative *Shari'a*-compliant banking service specifically tailored for emerging corporate middle market corporate customers and offers a unified window through which these customers can access a wide range of services such as cash management, trade and working capital finance, treasury, retail banking and takaful solutions. The Bank is seeking to establish a unique offering by building a dedicated distribution network, delivering services through skilled relationship managers and offering a leading digital platform and customised products.

The Bank also provides wealth management services high net worth individuals (**HNWIs**) under the Noor Wealth brand, which it intends to establish as a leading wealth management platform through preferential pricing, lifestyle benefits and high levels of customer service.

In addition, in the Corporate and Wholesale Banking business groups, the Bank aims to achieve greater market penetration through targeting customers in a range of sectors, including the energy, trading, manufacturing and services sectors, whilst retaining its existing focus on GREs. The Bank is also one of the only *Shari'a*-compliant banks that delivers integrated and seamless trade solutions to its institutional and corporate customers.

The Bank continues to broaden its network and product range both as a means of differentiation and to acquire greater market share. Historically, the Bank's corporate and wholesale banking presence has been its core strength which it intends to continue to build on in order to achieve greater market share.

Focus on customer service

The Bank remains focused on customer service, which it believes increases opportunities for new customer acquisitions, increases cross-selling and complements its financial products offering. One of the foundations of the Bank's customer-centric approach is a model in which sales and services, as well as product development and innovation, are aligned to cater to the needs of each segment in which it operates. This approach also enables specialist risk management based on the best practice applicable to each of the segments.

Product capabilities

Within the Corporate and Wholesale business groups, the Bank expects to continue to grow through initiatives such as:

- capitalising on Dubai's position as a trade and services hub by focusing on developing and offering leading *Shari'a*-compliant trade products as well as by supporting clients in countries with significant UAE trade flows;
- originating, executing and distributing cross border Islamic syndicated transactions, particularly through engaging mid to large corporates and targeting the public sector and GREs; and
- establishing strategic alliances with leading service providers to increase the Bank's speed of execution and flexibility.

Within the Treasury business group, the Bank intends to develop a product suite both for its customers and to enhance its own balance sheet management capabilities. In addition, it expects to continue to invest in resources and technology with a view to developing a leading sukuk trading capability and new *Shari'a*-compliant structured treasury products.

Strong focus on cross-selling

The Bank's strategy also includes a focus on cross selling with a view to increasing its revenue through fee-based income. In particular, the Bank intends to focus on:

- providing Sukuk issuances and syndicated facilities for existing corporate customers;
- providing structured trade solutions for corporate customers;
- cash management solutions for corporate customers;

- selling Treasury products to HNWIs;
- selling retail banking and insurance products to corporate customers; and
- selling Noor Wealth products to qualifying members of management in its corporate customer base.

Funding

Whilst the Bank believes that it has one of the highest proportions of low cost current and savings account deposits in the UAE, which derive from its retail and corporate banking customers, it also believes that there is scope to increase deposits from Noor Wealth customers across the UAE and in the wider MENA and South East Asia regions through the use of dedicated customer relationship teams. The Bank intends to closely monitor its corporate deposits using a disciplined approach to concentration management.

The Bank is also seeking to diversify its funding sources through accessing the international capital markets and building a diverse investor base.

Islamic structured trade finance solutions

In order to take advantage of Dubai's status as a trade hub, the Bank has identified Islamic structured trade finance solutions as a key strategic initiative. It believes that this will not only differentiate the Bank from its competitors but will also enable the Bank to tap the trade flows between Dubai and its major trading partners. The Bank offers *Shari'a*-compliant structured trade finance solutions to facilitate Dubai's trade with its major trading partner countries through entering into financing arrangements with banks and financial institutions in the Indian sub-continent, the Far East, Africa and the Middle East.

STRENGTHS

The Bank believes that its principal strengths are:

Its strong and influential shareholders

The Bank has the highest percentage of Dubai sovereign ownership among all banks with Dubai government ownership and is also the only bank in the UAE to have members of the Dubai and Abu Dhabi Ruling Families, as well as both the Dubai and UAE federal governments, as major shareholders. In addition, the Bank is the only bank in Dubai with a Ruling Family member as Chairman since inception. At launch, the Chairman was His Highness Sheikh Ahmed Bin Saeed Al Maktoum. In June 2011, the Chairmanship passed to His Highness Sheikh Ahmed Bin Mohammed Bin Rashed Al Maktoum.

In addition to the direct shareholdings of the Government of Dubai and UAE Ruling Family members, the Bank's shareholders also include the chairmen of notable Dubai companies, including Emirates Airlines, Emaar Properties, DP World and Dubai Holding. These factors provide the Bank with the opportunity to cross sell its products and services to the Governments of Dubai and the UAE and their associated entities.

Its strong Board, experienced management and progressive Shari'a Supervisory Committee

The Bank's first Board was nominated by the Government of Dubai. The current Board is chaired by a member of the Dubai Ruling Family and its members include the Director of the Ruler's Office in Dubai, the Director General of the Office of HH the Crown Prince of Dubai, the Chairman of the

Dubai Financial Market and the Dubai International Financial Centre, the Chairman of DP World and the Chairman of Emaar Properties.

The Bank's management team comprises 16 members with a cumulative 328 years of relevant experience or an average of 20 years' experience each. A number of the key members of the Bank's management team have been associated with the Bank since it was established, providing continuity in both the execution of the Bank's strategy and the conduct of its day to day operations. As a result, senior management at the Bank has substantial experience and know how in both the banking industry and the operation of Islamic financial institutions in local, regional and international markets. The management team has been recognised through more than 35 industry awards over the past five years in areas such as innovative products, leading positions in Islamic finance league tables, service quality and compliance.

The *Shari'a* Supervisory Committee is an independent committee of *Shari'a* scholars appointed by the shareholders. It comprises leading Islamic scholars who have extensive experience and expertise in legal, financial and banking related matters. The *Shari'a* Supervisory Committee works closely with the Bank's business groups to create innovative solutions that are in strict adherence to the principles of *Shari'a*. The Bank believes that its progressive *Shari'a* Supervisory Committee is a key strength enabling it to structure a broad range of innovative and effective products and solutions, including factoring, credit insurance, escrow management, wealth management and a range of derivative and structured products.

See "*Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Bank has a short operating history*".

Its innovative product portfolio

The Bank believes that it offers one of the most comprehensive and innovative product suites amongst Islamic banks operating in the GCC. For example, the Bank believes that corporate banking offers a broader range of financing products than any of its Islamic competitors. These include factoring and other receivable-backed structures as well as letters of credit and open account financing. The Bank believes that many of these products also offer greater flexibility than competing Islamic products through prepayments, rebates and elimination of inspection requirements. The Bank also remains one of only a few Islamic banks in the GCC to provide *Shari'a*-compliant structured financial institution trade solutions for its customers and financial institutions across the Indian sub- continent, the Far East, Turkey and Africa.

The Bank was one of the first to offer its retail customers an online account opening facility. In addition, mobile applications to enable online transactions by the Bank's customers have been launched and the Bank is investigating a potential unmanned branch, in relation to which it displayed a concept module in the Gitex Technology Week exhibition in the Dubai World Trade Centre in 2013.

The Bank believes that its product portfolio encourages a shift away from conventional banking for customers who are interested in Islamic solutions, particularly where it is able to offer products that can be alternatives to those offered by its conventional competitors.

Its strong customer relationships

Since it commenced business, the Bank has established a track record of increasing its customer base and expanding its business with existing customers. For example, in 2014 and 2015, the Bank's corporate client base grew by 17 per cent. and 22 per cent., respectively, in terms of the number of customers.

The Bank's Corporate and Wholesale business groups focus on achieving major bank status with their existing customers with a view to creating on-going follow-on business from new securities issuance, re-financings and through the provision of growth capital.

To date, the Bank has lead arranged Islamic capital markets transactions with a value of more than U.S.$50 billion for its customers. It is also a significant arranger of Islamic finance capital markets transactions for a range of clients in the Middle East, Europe and Asia.

Its culture of prudent risk management

The Bank operates with conservative funding and liquidity policies and also seeks to achieve strong credit risk management through stringent underwriting standards and an effective remedial financing department.

The Bank places emphasis on liquidity over profitability and maintains consistently lower financing to deposits ratios than is typical in the UAE market. For example, as at 31 December in each of 2015, 2014 and 2013, the Bank's financing/customer deposits ratios were 72.2 per cent., 75.6 per cent. and 76.9 per cent., respectively. As at the same dates, the averages of the same ratio for the UAE banking sector were 94 per cent., 90 per cent. and 91 per cent., respectively. To achieve these lower ratios, the Bank focuses on developing relatively long-term funding from customer deposits, with deposits having a maturity in excess of 12 months comprising 8.7 per cent. of its total deposits at 31 December 2015 compared to 10.5 per cent. at 31 December 2014. See note 29.2 to the 2015 Financial Statements.

The Bank also maintains one of the highest levels of liquidity among Islamic banks in the UAE, with its Liquid assets ratio being 29.3 per cent. at 31 December 2013, 30.1 per cent. at 31 December 2014 and 35.8 per cent. at 31 December 2015. It also maintains significant cash balances with the UAE Central Bank and has a portfolio of sukuk investments (amounting to AED 2.4 billion at 31 December 2015) which provides additional cash raising capacity through sales or secured funding.

In addition, the Bank has one of the most conservative financing to deposits ratios and one of the highest current and saving deposits to total deposits ratios among banks in the UAE, providing low cost and stable funding to support the future growth of the Bank.

The Bank's impairment reserves were AED 1.3 billion at 31 December 2015, giving it impairment reserve cover of 112.9 per cent., one of the highest coverage ratios among all banks in the UAE.

Its strong balance sheet and improving profitability

The Bank believes that it has a strong balance sheet illustrated by its liquid assets ratios described above, its financing/customer deposits ratios which were 76.9 per cent. at 31 December 2013, 75.6 per cent. at 31 December 2014 and 72.2 per cent. at 31 December 2015 and its Tier 1 risk assets ratios which were 13.9 per cent. at 31 December 2013, 14.6 per cent. at 31 December 2014 and 12.2 per cent. at 31 December 2015. At 31 December 2015 51 per cent. of the Bank's deposits, and at 31 December 2014 51 per cent. of the Bank's deposits, were current and savings deposits, one of the highest ratios among banks in the UAE.

The Bank's profit for the year was AED 255.4 million in 2013, AED 678.1 million in 2014 and AED 560.8 million in 2015. Over the same period, its net profit margins were 2.4 per cent., 3.1 per cent. and 3.3 per cent., respectively.

Diversified earnings base

Due to its increased focus on cross-selling as part of its core strategy across multiple business segments, the Bank has a diversified earnings profile. For example, its net fees and other income contributed AED 513.2 million, equal to 36.7 per cent. of its total operating income for the year ended 31 December 2015 and AED 296.6 million, equal to 29.3 per cent. of its total operating income for the year ended 31 December 2014. The Bank believes that it has more diversified earnings than many of its competitors, reflecting optimum utilisation of its balance sheet and its capital.

BUSINESS OVERVIEW

The Bank's four principal business groups are Corporate Banking, Wholesale Banking, Treasury and Retail Banking. These groups are managed from the Bank's head office in Dubai and operate through the Bank's branches across the UAE.

Corporate Banking business group

The Bank operates a full service corporate bank which includes over 50 relationship management and product professionals across the UAE. All of the Bank's corporate banking products and services are *Shari'a*-compliant and utilise financing techniques such as commodity or other asset-based murabahah transactions, ijarah transactions and Islamic covered drawings.

The Corporate Banking business group provides a comprehensive range of products and services to small, medium and large sized corporate customers. At 31 December 2015, the business group's customer financing portfolio accounted for 65.7 per cent. of the Bank's total gross customer financing portfolio (71.5 per cent. as at 31 December 2014) and 38.3 per cent. of its total assets (44.0 per cent. as at 31 December 2014).

The Corporate Banking business group is currently focused on growing and diversifying its client base and pursuing cross-selling opportunities. In 2013, the business group relaunched its commercial and trade-related businesses under the Noor Trade brand.

The Corporate Banking business group believes that it benefits from:

- a broader trade product offering and a stronger treasury product base than other *Shari'a*-compliant banks operating in the UAE;
- a demonstrated track record of innovation (for example, it was the first UAE bank to launch a direct debit service, it was the first *Shari'a*-compliant bank to conduct online commodity murabahah transactions with DMCC, a free zone established by the Dubai government in 2002 to enhance commodity trade flows through Dubai, and it was among the first banks in the UAE to comply with the UAE wages protection scheme); and
- a strong service and delivery ethos with high levels of customer satisfaction.

The Corporate Banking business group services its customers through a number of units organised on both a geographical and product-specific basis. The majority of the units are based in the Bank's head office. The units include:

Public sector, large corporates & contracting

The public sector and large corporates unit caters to public sector entities and large GREs, primarily based in and around Dubai. Additionally, this unit is also responsible for identifying financing opportunities to contractors executing building, electrical and mechanical infrastructure works across a range of sectors.

Dubai & Jebel Ali

The Dubai & Jebel Ali unit serves private sector companies based in and around Dubai and the Jebel Ali region. These corporate clients may belong to any sector other than the public sector.

Sharjah & the Northern Emirates

Like the Dubai and Jebel Ali unit, the Sharjah and Northern Emirates unit, which is based in Sharjah, serves private sector companies in its specific geographical jurisdiction.

Abu Dhabi

The Abu Dhabi unit, which is based in Abu Dhabi city, supports and manages business from clients based in Abu Dhabi City as well as adjoining areas and cities in the southern and eastern region.

Global Transaction Services (GTS)

GTS focuses on product development and management, service delivery and product sales. Since the inception of the Bank, GTS has delivered a broad range of innovative, *Shari'a* compliant cash management, trade and working capital finance solutions to a growing client base across multiple business segments (large corporates, mid-market corporates and financial and non-banking financial institutions). GTS solutions are tailored towards optimising the working capital cycle of clients by introducing efficiencies across the client's financial supply chain.

In the cash management area, GTS provides standard industry solutions as well as customised solutions for larger and more sophisticated clients. The products offered include corporate online banking, local and international payments, payroll processing, structured multi-channel collections, post-dated cheque management, escrow services, corporate and prepaid card solutions, short-term liquidity management, reconciliation and integrated enterprise resource planning solutions.

The GTS trade solutions facilitate the Bank's customers' access to regional and global markets. GTS seeks to understand its customer's requirements and to devise trade solutions that best meet their business objectives and reduce the risks associated with trading overseas or domestically. The range of GTS trade solutions covers import and export services (such as letters of credit, documentary collections and guarantees) and financing options. More advanced supply chain finance solutions such as factoring (post-dated cheques or receivables financing with or without credit insurance) are also offered. The Bank believes that it is one of only a few Islamic financial institutions that offer advance open account finance solutions.

GTS has also developed strategic partnerships to enhance its capability, shorten its delivery time and improve its process efficiencies. For example, its partnership with DMCC to deliver online commodity murabahah settlements is one the first in the industry.

Noor Trade

Trade is one of the key pillars of Dubai's economy. According to data published by the United Arab Emirates Federal Customs Authority, the total volume of UAE non-oil foreign trade reached approximately AED 1.56 trillion in 2015. While there are a number of banks offering customised trade finance and working capital solutions to tap these trade flows, there is a scarcity of *Shari'a*-compliant solutions for emerging corporate and middle market clients primarily dealing in trade sector in Dubai. Reflecting the opportunity this segment offers, and in line with the Bank's focus on supporting UAE trade flows, the Bank launched its Noor Trade initiative in 2013.

Noor Trade represents a significant investment in repositioning and increasing the scale of the Bank's commercial and trade-related business propositions, to create a stand-alone business with a distinct brand identity. Noor Trade provides Islamic structured working capital, trade finance and deposit related products and services to emerging corporate and middle market clients with annual turnover of up to U.S.$100 million. Noor Trade's clients are managed by dedicated relationship managers located in dedicated Noor Trade branches (in the DMCC and in Deira) which have been opened to enhance service delivery. The Noor Trade brand has been created to differentiate this business in the market place as well as to bring focus on this particular business by leveraging its Islamic trade finance expertise. Unlike many other Islamic banks in the GCC, the Bank has been able to develop a comprehensive suite of Islamic structured working capital and trade finance solutions across multiple sectors through targeting emerging corporate and middle market customers looking for *Shari'a*-compliant solutions.

Wholesale Banking business group

The Wholesale Banking business group is divided into two departments: capital markets & syndications and financial institutions and international banking.

Capital markets & syndications

The capital markets & syndications department offers a diversified range of products, including syndication, project financing, sukuk, structured finance and securitisation, as well as financial advisory and agency services. Since the Bank was launched in January 2008, the capital markets & syndications department has arranged more than 65 syndication and capital markets transactions with an aggregate value in excess of U.S.$50 billion for institutions across the GCC and in Asia and Europe.

In 2015, the capital markets & syndications department arranged transactions with a value of approximately U.S.$9 billion, consistently maintaining its position amongst the top Bookrunners in the Bloomberg Islamic Finance Bookrunner league tables. Other awards in the last three years include:

Bonds, Loans & Sukuk Middle East Awards

2015: Financial Institution Financing Deal of the Year, Structured Finance Deal of the Year, Investment Grade Bond/Sukuk Deal of the Year and Syndicated Loan Deal of the Year by a Debut Borrower

The Banker Magazine (Financial Times) Awards

2014: Securitisation & Structured Finance Deal of the Year

Islamic Finance News Awards

2014: Ijarah Deal of the Year and Tawarruq Deal of the Year

2013: Syndicated Deal of the Year

2013: Cross Border Deal of the Year

The capital markets & syndications department also manages one of the most active agency desks within Islamic banking, with more than 25 agency mandates with an aggregate value in excess of U.S.$10 billion at 31 December 2015.

Financial institutions & international banking

The financial institutions & international banking department is responsible for establishing and maintaining correspondent relationships with financial institutions internationally in order to satisfy its customers' business requirements in areas such as international trade finance and international payments in all major currencies.

Currently, the financial institutions & international banking department has exposure across various regions including Africa, South Asia, the Middle East, Europe and Far East Asia.

Treasury Banking business group

The Bank's Treasury Banking business group is responsible for providing the Bank with its funding and foreign exchange requirements and for managing its own balance sheet risks that arise out of its business activities, including liquidity, foreign exchange and profit rate risks. In addition, the Treasury Banking business group provides the Bank's customers with access to financial markets to manage their own risk and investment requirements. The business group uses, and offers to its customers, an advanced range of *Shari'a*-compliant treasury products.

The Treasury Banking business group uses an advanced IT system to capture, measure and report financial positions. It is supported by a dedicated treasury operations team to manage back office activities and is overseen by an independent market risk department.

The Treasury Banking business group operates through four key desks: sukuk trading; money market and foreign exchange; structured products; and treasury sales.

Sukuk trading desk

The sukuk trading desk is an active market maker in regionally and internationally traded sukuk instruments. The desk has grown in recent years, acquiring an expanded international customer base by offering its clients competitive pricing and effective access to markets. In addition to trading, the sukuk desk also manages the Bank's liquidity portfolio. As at 31 December 2015, the sukuk desk managed portfolios with a combined value of AED 2.4 billion (AED 2.9 billion as at 31 December 2014). See note 29.1 to the 2015 Financial Statements for an analysis of the Bank's investment in sukuk based on ratings obtained from external ratings agencies.

Money market and foreign exchange desk

The money market and foreign exchange desk sources the Bank's funding and foreign exchange requirements from the inter-bank market. It works closely with the other business groups to understand the Bank's future funding requirements, and it raises liabilities and invests surplus funds to meet these requirements. The Bank covers foreign exchange requirements for itself and customers on a spot and forward basis (Wa'ad). It also sources physical gold for customers with an option for delivery or storage within the Bank's secured facilities.

Structured products desk

The structured products desk has developed a portfolio of *Shari'a*-compliant products for customers to manage their financial requirements and investment needs. It quotes on a broad range of hedging products, including profit rate and cross currency swaps. The structured products desk also provides a range of structured products which allows customers an efficient way to gain investment exposure to a range of asset classes. In early 2014, the Bank was awarded the Best New Investment Product at the Banker Middle East UAE Product Awards for its commodity pick and drop structure.

Treasury sales desk

The treasury sales desk markets the Bank's range of treasury products to institutional, corporate and retail customers. The desk works closely with relationship managers from other business groups and units. It also works with customers to understand their needs and provide tailored financial solutions.

Retail Banking business group

The Bank provides a comprehensive range of retail financial solutions from transactional services to financial planning. Maintaining an effective framework that meets the customers' wealth management, wealth preservation and regular banking needs is a priority for the Bank. At 31 December 2015, the Retail Banking business group accounted for 34.3 per cent. of the Bank's total gross customer financing portfolio (28.5 per cent. as at 31 December 2014). The business group's principal units are Business Banking, Noor Wealth, Noor Home, retail finance/cards, auto finance, banca takaful and transaction & saving solutions, and its principal focus is on excelling in Noor Wealth and Noor Home as well as on attracting deposits.

Business Banking

Business Banking offers a broad range of *Shari'a*-compliant financial products and services that cater to the needs of small and medium enterprise (**SME**). It provides comprehensive working capital financing solutions for the SME segment. It offers various products, where the customer can choose to either obtain a liquidity facility or obtain asset financing, with tenures varying from 6 months to 4 years depending on the type of financing that is required by the business. Financing options are available for businesses with a turnover of AED 2 million or more.

Noor Wealth

The Noor Wealth unit offers its high net worth customers financial expertise, service excellence across multiple banking channels and lifestyle benefits designed to meet their financial and lifestyle needs. The Bank has dedicated Noor Wealth relationship managers for its valued priority customers. These relationship managers consult the Bank's experienced team of investment advisors, treasury specialists and credit analysts to design tailor-made *Shari'a*-compliant wealth management solutions for customers that will allow them to best grow and protect their wealth.

The Bank's Noor Wealth proposition includes:

- 60-minute priority account opening from the UAE;
- award-winning capital protected structured deposits;
- Islamic mutual funds from a range of leading providers;
- physical gold investments, savings and protection plans and trust account services provided through the Bank's partners;
- a dedicated foreign exchange desk providing solutions and preferential pricing for major international currencies;
- specialised home finance solutions to help customers (resident or non-resident) own a home in Dubai;
- international banking services to non-resident customers in the GCC, Africa and Asia; and
- lifestyle benefits such as complimentary membership to selected gyms, access to selected golf clubs, free valet service at selected malls in Dubai, travel assistance, marhaba lounge access and premier driver assistance.

Noor Home

Noor Home is positioned as a brand providing home finance solutions with a competitive and personalised customer service experience. Noor Home caters to UAE nationals, UAE residents and certain non-UAE residents offering financing to acquire residential property at competitive prices. The Bank is committed to providing its customers with the knowledge and tools necessary to simplify the home buying procedure and to make buying a home in the UAE as stress free and convenient as possible.

The Bank's Noor Home finance proposition includes:

- finance up to a maximum of 80 per cent. of the value of the home for UAE nationals and 75 per cent. for expatriates;
- a flexible and competitive pricing structure through an annual EIBOR-linked re-pricing option as well as a fixed rate product for two or three years;
- a range of *Shari'a* products covering purchases, buyouts and equity release for both new and off-plan properties;
- products for salaried and self-employed clients who are UAE residents as well as non-resident GCC, G20, Pakistani and Singaporean nationals;
- life takaful and property cover along with the finance facility; and
- no requirement for salary transfer or employer listing and approval within 48 hours.

Personal finance/cards

The Bank aims to deliver the most convenient Islamic retail finance products and services designed to meet the specific needs of its customers. The key features and benefits of the Bank's personal finance offering include convenient payment plans of up to 48 months, competitive profit rates, free lifetime credit cards, simple documentation and a quick approval process.

Auto finance

The Bank's auto finance proposition provides minimum formalities and flexible payment periods and includes:

- a minimum 20 per cent. down payment for salaried and self-employed customers;
- finance available for both new and used cars;
- no salary transfer or employer listing being required for salaried customers and approval within 24 hours; and
- finance available over a maximum payment period of 60 months.

Banca takaful

The Bank's portfolio of takaful solutions include savings, investments, travel, health, lifestyle, life protection and asset protection.

Transaction & saving solutions

The Bank provides a range of transaction and saving solutions such as current accounts, savings accounts, dual accounts, wakala/mudaraba, payroll accounts, National bonds, remittance services and foreign exchange services.

AFFILIATES

The Bank has a 10 per cent. shareholding in each of Noor Takaful Family PJSC and Noor Takaful General PJSC, which were each established in early 2008 to provide a broad range of takaful general and customised products and services to individuals, families, groups and companies in the UAE market. These companies were established in compliance with Federal Law No 6 of 2007, which requires life and non-life insurance businesses to be separate legal entities.

Noor Takaful has committed itself to being at the forefront of the takaful sector in the Middle East. Its products include motor takaful, medical takaful, travel takaful, commercial takaful and retail takaful supported by the GCC's first e-takaful service providing instant quotes and online payment facilities.

In the six years since launch, the Bank has made tangible progress in consolidating its takaful scope and reach within the UAE market and has also successfully established the Noor Takaful brand, creating a solid foundation and platform for future growth. The Noor Takaful brand is based on high quality protection through modern, flexible, state-of-the-art channels and is backed by financially strong, A rated, re-takaful partners.

FINANCE PORTFOLIO AND CUSTOMER DEPOSITS

The Bank's finance portfolio is discussed under "*Financial Review—Analysis of certain statement of financial position items*". The Bank's customer deposits are discussed under "*Financial Review—Funding and liquidity—Funding*".

COMPETITION

Within the UAE, the Bank faces competition in all of its principal business areas. The Bank's principal competitors include both locally incorporated and foreign banks operating in the UAE, in each case including both conventional and Islamic banking institutions and specialist Islamic financing companies.

As at 31 December 2015, there were 49 banks holding full commercial banking licences in the UAE with the Islamic banking sector including seven Islamic banks, comprising the Bank, Abu Dhabi Islamic Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates Islamic Bank, Al Hilal Bank and Ajman Bank. In addition, a number of conventional banks have established Islamic windows through which they provide *Shari'a*-compliant products and services, including National Bank of Abu Dhabi, Abu Dhabi Commercial Bank, First Gulf Bank, Mashreq Bank, Union National Bank and Standard Chartered Bank. See further "*The UAE banking sector and regulations*".

Notwithstanding the relatively high level of competition in the UAE banking sector, the Bank expects the continuing growth of the UAE economy to lead to an overall growth in demand for banking services, and Islamic products in particular due to the continued improvement in Islamic banking products and, more generally, an increased understanding and acceptance of Islamic finance.

COMPLIANCE

The Bank is committed to building and maintaining a culture of ethical behaviour, corporate governance and regulatory compliance. The Bank's compliance function is independent from the business activities of the Bank and is managed by the Head of Compliance, who leads a team of experienced staff and reports to the Bank's General Counsel. Among other matters, the compliance function is responsible for:

- determining the internal measures and procedures needed to comply with applicable laws, regulations, procedures and internal standards and providing appropriate guidance to employees in this respect;
- preparing compilations of applicable rules and instructions, in conjunction with the Bank's in-house legal department, and distributing this information to the Bank's employees;
- monitoring adherence to all applicable laws, regulations, procedures and internal standards either directly or by delegating this responsibility to other clearly identified departments or persons as part of the Bank's internal control process;
- assisting management in ensuring that all activities in the Bank are conducted in conformity with all applicable requirements;
- assessing the appropriateness of the Bank's compliance-related guidelines and, where necessary, proposing amendments;
- updating management on compliance matters on a regular basis summarising:
    - compliance testing that has taken place during the reporting period;
    - any material compliance incidents during the reporting period and the actions taken to address these incidents; and
    - the status of any outstanding action plans.

The Bank's Head of Compliance received the 2013 Chief Compliance Officer of the Year Award at the Thomson Reuters – Governance Risk & Compliance Awards.

The Bank seeks to ensure that it maintains full compliance with all applicable laws and regulations (including those promulgated by the US Office of Foreign Assets Control, the European Union and the United Nations), through internal polices such as its Compliance Programme, Anti-Money Laundering (**AML**) Manual, AML Policy and Negative & Watch List Policy, which are approved by senior management and the Board. Effective AML and know your customer (**KYC**) procedures form a fundamental part of the Bank's internal control regime. The Bank has introduced risk-based KYC standards, which apply across retail and corporate services, commercial trade transactions and correspondent banking. Ongoing KYC, AML and sanctions training is provided to all of the Bank's employees on a regular basis.

INTERNAL AUDIT

The Bank's internal audit department comprises a mix of qualified auditors and experienced business persons who perform internal audits of all of the business groups and other units of the Bank and provide an independent assessment of internal controls and compliance with internal and external regulatory requirements. Each internal audit report is shared with management to enable implementation of the suggested corrective action plans and internal audit reports also presented periodically to the Board's Audit Committee.

The internal audit department has adopted the internal audit practices recommended by the Institute of Internal Auditors and local regulatory bodies. The Bank also deploys more internal audit resources to comparatively higher risk areas of the business as a risk-based audit methodology has been adopted.

In addition to ongoing internal audit reviews, the Bank's financial statements are audited annually by its external auditors. Further, regulatory bodies like the Financial Audit Department of the Dubai government and the UAE Central Bank also perform regular audits of the Bank's activities.

INFORMATION TECHNOLOGY

The Bank uses IT strategy to support the delivery of its business strategy. The Bank believes that it has state of the art technology platforms and infrastructure and that its technology services are robust, simple, innovative and reliable. The Bank deals with various managed services partners and outsourcing vendors to achieve its long-term strategic IT vision, which is to ensure that technological deliveries are business-aligned and client-focused.

The Bank's IT complies with international standards and best market practices, including Control Objectives for Information and related Technology (COBIT), Information Technology Infrastructure Library (ITIL), Information Security Management System (ISO27001), and Business Continuity.

The Bank has a data centre with full fledge redundancies, high availability, and a clustered environment. It has also established a synchronised disaster recovery site which is in real-time replication with the data centre.

RISK MANAGEMENT

INTRODUCTION

The role of risk management is to understand, measure and manage risk in all aspects of the Bank's business. The Bank aims to embed a risk management culture in all of its business processes and to ensure that a risk management culture is adopted throughout the organisation. Accordingly, the Bank seeks to continually improve its risk management in line with industry standards and UAE Central Bank guidelines and by investing in the right people and systems.

The Bank's risk management framework is focused on fully integrating enterprise-wide risk management into its operations and culture. The risk management structure covers credit risk, market risk, liquidity risk, legal risk, operational risk and compliance and remedial management. The Bank seeks to ensure that risks are proactively identified and managed and it aims to achieve an appropriate balance between risk and return and to minimise potential adverse effects on its financial performance.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Bank's risk management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and the products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

RISK MANAGEMENT FRAMEWORK

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the following committees, which are responsible for overseeing, developing and monitoring the Bank‘s risk management policies in their specified areas:

- **Executive Committee**: The Executive Committee is responsible for ensuring that the Bank has an adequate and appropriate system of risk management and internal controls with the support of the Audit Committee and the Risk Committee.
- **Risk Committee**: The Risk Committee is responsible for monitoring compliance with the overall risk management policies and procedures established by the Bank and, in addition, it is also responsible for monitoring the Bank's credit portfolio.
- **Audit Committee**: The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, compliance with laws and regulations, compliance with the Bank's code of conduct and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.
- **Credit Committee**: The Credit Committee is responsible for taking credit decisions, recommending credit policies, and the future direction of the credit activities in the Bank. The Board has delegated authority to the Credit Committee to approve, sub-delegate, direct, monitor and review the Bank's financing activities, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.
- **Asset Liability Committee** (**ALCO**): The ALCO monitors and manages the Bank's committed and outstanding assets and liabilities, and recommends appropriate funding,

investment and hedging strategies. In addition, the ALCO is also responsible for ensuring that the regulatory requirements applicable to liquidity are complied with and that the necessary liquidity required to fund the Bank's growth is available.

- **Operational Risk Committee**: The Operational Risk Committee is responsible for overseeing, managing and ensuring that all aspects of the Bank's operational risk policies and standards are effectively implemented and that the framework to monitor and report operational risk issues is functioning effectively to protect the interests of the Bank. It is also responsible for promoting a high level operational risk management culture in the Bank.
- **Management Committee**: The Management Committee is responsible for overseeing and managing the Bank's day-to-day business in accordance with the Bank's vision, mission and strategy. The Management Committee is required to consider the prevailing and future risk environment and to operate in accordance with good corporate governance principles and in line with the expectations of the Bank's significant stakeholders.

CREDIT RISK MANAGEMENT

Introduction

Credit risk is the risk of losses arising as a result of a counterparty of the Bank not fulfilling its contractual obligations or the quality of a counterparty deteriorating. Credit risk principally arises from the Bank's financing, trade finance and treasury activities. The Bank's overall credit exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by country, product, industry and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification. The Bank's maximum on and off balance sheet exposure to credit risk, before collateral held or other credit enhancements, amounted to AED 35.8 billion at 31 December 2015 compared to AED 28.3 billion at 31 December 2014 and AED 21.8 billion at 31 December 2013. An analysis of this exposure is set out in note 29.1 to the 2015 Financial Statements and note 27.1 to the 2014 Financial Statements.

Credit approval process

The Bank has separate credit approval processes for each of its different business segments.

Corporate and wholesale credit

Applicants for business credit are required to submit detailed information to the Bank, including relevant background information as well as specific information on their management, business model, major suppliers and customers and other bank relationships and limits. In addition, the Bank typically requires audited financial statements for the last three years as well as current year financial information where available.

Credit officers within the Bank conduct a financial analysis of the applicant, propose an internal credit rating and negotiate the key terms of the proposed facility with the applicant. They also conduct screening checks such as obtaining a Central Bank Risk Bureau report and undertaking site visits. Once the credit application has been completed it is submitted to the relevant business head for review/approval. Following this review/approval, the credit application is then submitted to an independent internal review and credit rating validation.

Once this review and validation have been completed, the application is submitted to the Bank's Credit Committee for approval and, if the amount of the facility exceeds the Credit Committee's limits, it is also submitted to the Executive Committee or the Board for approval if recommended by the Credit Committee.

Retail credit

Applications for retail credit are required to be submitted together with proof of income (such as salary certificates or bank statements for self-employed applicants), bank statements for a defined period to enable verification of outgoings for salaried applicants and income and outgoings for self-employed applicants, financial statement and business formation documents for corporate applicants, and other specific documentation depending on the type of finance applied for.

Retail finance applications are pre-screened to ensure that all relevant documentation has been included and are then subjected to a range of checks including credit reference checks, client verification checks, AML and other checks. In relation to financing secured on the asset being financed (such as auto and home financings), the Bank applies a range of finance to value limits based on various factors including the type of financing required. For credit card and other retail finance applications, the Bank applies age, minimum income, length of service or business history and financing burden limits, and also applies maximum credit and tenor limits to the financing.

General

Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty (whether business or personal) requires a credit approval at the appropriate authority level.

Credit rating and measurement

The Bank's risk rating system is the basis for determining the credit risk of its asset portfolio (except for its retail financing assets) and, therefore, appropriate asset pricing, the portfolio management strategy and loss provisions and reserves. The risk rating system is also the basis for credit approval authority delegation.

The Bank uses a standard numeric credit risk-grading system which is based on its internal estimate of probability of default (**PD**), with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors.

Performing clients are rated on a 17 point scale of NRR1 to NRR7 (with grades NRR2 through NRR6 each having plus or minus modifiers), each grade being associated with a defined level of PD.

Non-performing clients are rated NP1, NP2 and NP3, corresponding to the substandard, doubtful and loss classifications applied by the UAE Central Bank.

Credit monitoring

The Bank monitors its credit exposures on a regular basis as well as any external trends which may impact risk management outcomes. Internal risk management reports, containing information on key variables, portfolio delinquency and impairment performance, are presented to the Chief Credit Officer and Risk Committee. All corporate exposures are monitored carefully for performance and reviewed formally on an annual basis or earlier. The Bank's policies mandate client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed proactively.

All non-performing accounts are monitored closely by the Bank's remedial management unit, which reports directly to the Chief Credit Officer. These accounts are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement and exit of the account.

The asset quality of the Bank's retail finance portfolio is monitored closely and all 30, 60 and 90 day past due accounts and delinquency trends are monitored continuously for each product. Individual customer behaviour is also tracked and this forms an input for future financing decisions. Accounts which are past due are subject to a collection process, which is managed independently by the risk function. Write-offs and provisioning for the retail finance portfolio are carried out in accordance with UAE Central Bank guidelines.

Credit mitigation

The Bank seeks to mitigate potential credit losses from any given account, customer or portfolio using a range of tools, including taking collateral or guarantees in particular. The reliance that can be placed on these credit mitigation resources is carefully assessed taking into account their legal enforceability, the market value of any collateral and the counterparty risk of any guarantor.

The Bank accepts a range of collateral types, including cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; individual, corporate and bank guarantees; and letters of credit. The Bank also collects post-dated security cheques from the individual guarantors because failure to honour a cheque is a criminal offence under UAE law. The amount and type of collateral collected mainly depends on the nature of transaction and the Bank's risk mitigation policies control the approval of different collateral types.

The Bank's credit risk policy acknowledges the role played by credit risk mitigation in the management of credit risk but emphasises that collateral on its own is not necessarily a justification for financing. The primary consideration for any financing opportunity must be the borrower's financial position and ability to repay the facility from its own resources and cash flow.

The Bank's credit risk policy and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and with the frequency required by the policy and meet the risk requirements of operational management for legal, practical and timely enforceability. In some instances, further advice is sought from external law firms in relation to unusual forms of security or where security is provided by foreign companies.

The main types of collateral taken are mortgages over residential, commercial and industrial property; bonds over plant and equipment and, for leases, the underlying moveable assets financed. Security valuations are made at the time of financing and the security is revalued appropriately if there are indications that the value may have fallen over time. Guarantees and related legal contracts are often required, particularly in support of credit extended to groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

The Bank repossesses collateral where appropriate and this collateral is realised in accordance with its approved policy. Note 29.1(d) to the 2015 Financial Statements and note 27.1(d) to the 2014 Financial Statements provide details of the collateral taken into possession by the Bank in each of 2013, 2014 and 2015.

MARKET RISK MANAGEMENT

Introduction

Market risk is the potential impact of adverse price movements such as benchmark rates and foreign exchange prices on the earnings or economic value of an asset held by the Bank. The exposure to market risk can arise through investments and financing and funding contracts, and may negatively affect the earnings and capital of the Bank. The market risk unit is responsible for monitoring and reporting this risk in the Bank.

The Bank's market risk policy and asset liability management policy cover the Bank's trading book activities. In accordance with the policy, ALCO recommends market risk limits, such as foreign exchange and trading limits, which are approved by the Board. The Bank also calculates the value at risk (**VaR**) of its market risk exposures using the historical simulation method and this is reported to senior management. The Bank has established net open position limits for individual currencies, GCC currencies and the overall open position. All open currency positions are revalued on a daily basis. The Bank has also established sukuk trading limits, including portfolio limits (held for trading, available for sale and held to maturity), position limits by issuer, rating-based limits, concentration limits and stop loss limits both at an individual security and portfolio level.

The Bank's currency, money market and sukuk limits are monitored on a daily basis and exceptions are escalated to senior management immediately, with subsequent report to ALCO.

Profit rate risk

The Bank's profit rate risk arises principally from the way in which movements in profit rates impact both its profit rate earning assets (such as its financing portfolios and its sukuk investments) and its profit rate bearing liabilities (principally its depositors' accounts). Note 29.3 (a) to the 2015 Financial Statements and note 27.3(a) to the 2014 Financial Statements show these assets and liabilities in different maturities and the net position as at 31 December in each of 2013, 2014 and 2015.

Note 29.3(a) to the 2015 Financial Statements also contains a sensitivity analysis showing the impact of a 1 per cent. increase or decrease in profit rates on the Bank's equity based on the assumption that all other variables will remain constant. The analysis shows that the impact would have been AED 25 million in 2015 compared to AED 36 million in 2014.

Foreign exchange risk

Foreign exchange risk represents the risk of a change in the fair value of the Bank's Islamic financing instruments due to changes in foreign exchange rates. The Bank manages its exposure to the effects of fluctuations in prevailing foreign exchange rates on its financial position and cash flows through setting limits on the level of exposure by currency. Note 29.3 (b) to the 2015 Financial Statements and note 27.3(b) to the 2014 Financial Statements show the Bank's significant foreign exchange exposures at 31 December in each of 2013, 2014 and 2015.

Note 29.3(b) to the 2015 Financial Statements also contains a sensitivity analysis showing the impact of a 1 per cent. increase or decrease in foreign exchange rates on the Bank's income statement based on the assumption that all other variables will remain constant. The analysis shows that the impact would have been AED 2.2 million in 2015 compared to AED 1.9 million in 2014.

Price risk

The Bank is exposed to price risk arising from publicly traded investments in Islamic sukuk classified as available-for-sale and held-for-trading in the Financial Statements.

Note 29.3(c) to the 2015 Financial Statements contains a sensitivity analysis showing the impact of a present value one basis point increase or decrease in prices on the Bank's investment portfolio based on the assumption that all other variables will remain constant. The analysis shows that the impact would have been AED 1.0 million in 2015 compared to AED 0.95 million in 2014.

LIQUIDITY RISK MANAGEMENT

Introduction

Liquidity risk is the risk to the Bank's earnings or capital arising from its inability to meet its obligations as they fall due. Liquidity risk can arise from a number of sources including market fluctuations and disruptions, credit downgrades or political uncertainty. A bank's ability to withstand either temporary or longer-term disruptions in its ability to fund some or all of its activities in a timely manner and at a reasonable cost depends on the adequacy of its liquidity management framework.

Liquidity management

The Bank has a conservative liquidity philosophy that does not compromise liquidity in the pursuit of profitability. It seeks to ensure, so far as is possible, that it has sufficient liquidity to meet its liabilities when due, without incurring any significant losses or risking its reputation. Liquidity gap limits are defined by the Bank's liquidity management policy.

ALCO is the management committee with principal responsibility for liquidity risk management within the Bank. ALCO actively monitors and manages all of the Bank's committed and outstanding assets and liabilities and recommends appropriate funding, investment and hedging strategies. ALCO meets at least monthly and more frequently when required. The execution of ALCO's strategies and the Bank's day to day liquidity management activities, including compliance with regulatory liquidity requirements, are carried by the Treasury business group. An independent Market Risk function provides oversight of liquidity risk management activities.

Funding profile and strategy

The Bank is primarily funded by customer deposits which have proven to be sticky in nature and stable over the past three years. The Bank maintains close relationships with its largest depositors to ensure this stability. The Bank aims to supplement this depositor base with longer-term funding sourced from international capital markets. The Bank's strategy to maintain and develop a diversified funding base involves:

- broadening the deposit base, in particular current and savings accounts from individuals, to fund asset growth;
- managing concentration risk amongst the top depositors through new depositor initiatives and replacing deposits with term wholesale funds, see "*Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—The Bank is subject to liquidity risk which could materially adversely affect its results of operations and, in an extreme case, could threaten its solvency*";
- maintaining a prudent liquidity position and ensuring that liabilities maturing in the short-term are adequately covered by liquid assets; and
- developing cross border institutional funding relationships.

Note 29.2 (a) to the 2015 Financial Statements and note 27.2(a) to the 2014 Financial Statements contain an analysis of the remaining contractual maturities of the Bank's financial liabilities as well as a liquidity profile of the Bank's financial assets and financial liabilities as at 31 December in each of 2013, 2014 and 2015.

LEGAL RISK MANAGEMENT

Legal risk is the risk of losses occurring due to legal or regulatory action that precludes performance by the Bank or its counterparties under the terms of the Bank's contractual agreements. The Bank has an active in-house legal team which deals with both routine and more complex legal issues. The Bank aims to mitigate legal risk through the use of properly reviewed documentation and by seeking appropriate legal advice when appropriate. Situations of higher complexity and sensitivity are referred to external firms of lawyers, either in the UAE or overseas, as appropriate.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of direct or indirect loss arising from inadequate or failed processes, technology and infrastructure within the Bank, and from external factors (other than credit, market and liquidity risks), such as those arising from legal and regulatory compliance requirements and generally accepted standards of corporate behaviour. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation, assets and personnel with overall cost effectiveness. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- segregation of duties, including the independent authorisation of transactions;
- reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development of employees for operational risk awareness;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Bank's operational risk standards is supported by a programme of periodic reviews undertaken by Internal Audit and a dedicated operational risk team. The results of their reviews are discussed with the management of the business unit to which they relate and senior management of the Bank.

The Bank has a dedicated operational risk management system (**ORMS**) to report all operational risks and losses. All risk issues are assessed and assigned risk ratings measuring their impact and probability in accordance with the ORMS risk rating matrix.

The operational risk team is also responsible for enforcing information security and technology governance matters in line with the Bank's Information Security Governance Framework. The Bank manages business continuity through its Business Continuity & Disaster Recovery Policy and has established a Crisis Management & Command Centre to deal with emergency and significant business disruption situations. In addition, to safeguard the Bank and its customers from information security breaches, the Bank has implemented an Information Securities policy and an Information

Classification policy. These policies dictate standards and controls to be adopted for the acquisition, processing and disposal of information and other intangible assets in the Bank.

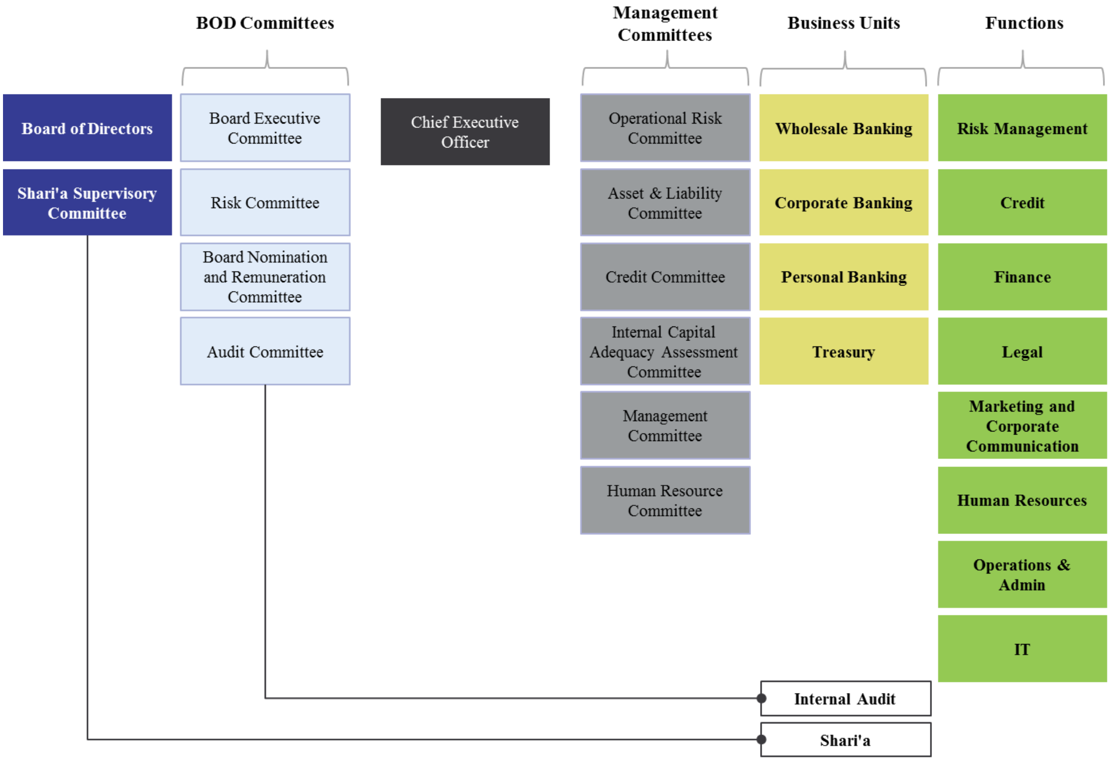
The Bank's Operational Risk Committee (**ORC**), which is chaired by the Head of Risk, ensures supervisory oversight of operational risk, information security and business continuity. The ORC convenes at least monthly to discuss existing, new and forward-looking risks, establish appropriate action plans and oversee their implementation.

MANAGEMENT AND EMPLOYEES

MANAGEMENT

Introduction

The Bank's organisational chart is as follows:



The Board

The management of the Bank is vested in its Board, which currently comprises nine members (the **Directors**). The Bank's first Board was appointed by the Government of Dubai in 2007 for a three-year term. Subsequently, Directors are appointed by the General Assembly of the Bank. In accordance with the Bank's Articles of Association, a majority of the Directors and the Chairman must be UAE nationals. The Board is appointed for a term of three years and members may be re- elected. The members of the current Board are listed below.

Director	Appointed
H.H. Sheikh Ahmed Bin Mohammed Bin Rashed Al Maktoum (Chairman)	June 2011
H.E. Lt. Gen. Musabbeh Rashid Musabbeh Alfattan Alfalasi (Vice Chairman)	April 2007
H.E. Abdulla Mohamed Saeed AlGhobash (Member)	March 2013
Essa Abdulfattah Kazim Al Mulla (Member)	April 2007(1)
Sultan Ahmad Sultan bin Sulayem (Member)	April 2007(1)
Mohamed Alabbar (Member)	September 2012(2)
Saif Jaffar Suhail Markhan Alketbi (Member)	July 2015
Soud Ahmad Abdulrahman Ba'alawy (Member)	April 2007(1)
Hussain Ahmad Dhaen AlQemzi (Member and Chief Executive Officer (CEO))	April 2007(1)

Notes:

(1) These individuals all agreed to become initial directors of the Bank in advance of its official establishment and subsequent launching of commercial operations.

(2) Mohamed Alabbar was on the original board appointed by the Government of Dubai but resigned in April 2010. He re-joined the Board with effect from September 2012 and resigned with effect from 17 January 2016.

The Board met five times in 2015 and four times in 2014.

The address of each Board member is the registered office of the Bank at Building 1, Level 8, Emaar Square, Downtown Dubai, P.O. Box 8822, 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 the Bank.

Set out below is summary biographical information for each Board member.

H.H. Sheikh Ahmed Bin Mohammed Bin Rashed Al Maktoum (Chairman)

H.H. Sheikh Ahmed Bin Mohammed Bin Rashed Al Maktoum is a member of the Dubai ruling family. He is also chairman of the Mohammed bin Rashed Al Maktoum Foundation, chairman of the UAE National Olympic Committee, chairman of the Dubai Cultural and Sports Club and chairman of the Dubai Camels Racing Club.

H.E. Lt. Gen. Musabbeh Rashid Musabbeh Alfattan Alfalasi (Vice Chairman)

H.E. Lt. Gen. Musabbeh bin Rashid Al Fattan is the chairman of Al Fattan Properties, the vice-chairman of Noor Investment Group and a director of the Dubai Ruler's Office.

H.E. Abdulla Mohamed Saeed AlGhobash (Member)

H.E. Abdulla Mohamed Saeed AlGhobash is a member of the DIFC Higher Board and a member of the Board of DP World.

Essa Abdulfattah Kazim Al Mulla (Member)

Essa Abdulfattah Kazim Al Mulla is the governor of the DIFC, the chairman of Borse Dubai Limited, Dubai Financial Market PJSC, DIFC Authority and DIFC Investments, a member of the Higher Board of Directors of the DIFC, a director of Nasdaq Dubai Limited, The Nasdaq OMX Group INC, Etisalat, Noor Investment Group, Noor Takaful Family and Noor Takaful General, a member of the Board and Secretary General of the Dubai Islamic Economy Development Centre, a member of Dubai Economic Council, a director of Rochester Institute of Technology and a member of the Board of Governors of Hamdan Bin Mohammed E-University.

Sultan Ahmad Sultan bin Sulayem (Member)

Sultan Ahmad Sultan bin Sulayem is the chairman of Dubai Ports World, the Ports, Customs & Free Zone Corporation and Seven Tides and a member of the UAE Executive Council and the Dubai Economic Council.

Mohamed Alabbar (Member)

Mohamed Alabbar is the Chairman of EMAAR Properties, Africa Middle East Resources and RSH Ltd.

Saif Jaffar Suhail Markhan Alketbi (Member)

Saif Jaffar Suhail Markhan Alketbi is the Director General of The Office of H.H. the Crown Prince of Dubai.

Soud Ahmad Abdulrahman Ba'alawy (Member)

Soud Ahmad Abdulrahman Ba'alawy is a member of the Board of Noor Investment Group, Noor Takaful Family and Noor Takaful General. He is also the founder and chairman of Anwaar Majan Investment and Development LLC and a member of the Board of Advisors of Palico SAS.

Hussain Ahmad Dhaen AlQemzi (Member and CEO)

Hussain Ahmad Dhaen AlQemzi is a member of the Board and group chief executive officer of Noor Investment Group. He has over 28 years of banking experience and was the chief executive officer of Sharjah Islamic Bank prior to joining the Bank. He was also the chief operating officer at the Dubai International Financial Centre (DIFC) until 2003.

Mr. AlQemzi is also a member of the Boards of Noor Takaful Family and Noor Takaful General. He is the Chairman of the Awqaf and Minors Affairs Foundation, the Emirates Institute for Banking and Financial studies and Noor Awqaf, the Vice-Chairman of EMAAR Properties, a member of the Board of Directors of the DIFC Authority, a member of the DIFC Higher Board and a member of the Dubai Higher Committee for the Development of Islamic Economy Sector. He has also served as a director of Dubai International Financial Exchange Limited, a Board Member of Dubai Financial Market and Bourse Dubai and as a director of NASDAQ Dubai Limited.

Board Committees

The Bank has four Board committees: the Board Executive Committee, the Board Risk Committee, the Board Nomination and Remuneration Committee and the Board Audit Committee.

The Board Executive Committee

The Board Executive Committee is responsible for reviewing all general aspects of the Bank's business, including strategic objectives and business plans, which are to be presented to the Board. The Board Executive Committee oversees the implementation of Bank's policies and Board resolutions within the scope of the powers delegated to it by the Board. The Committee oversees the Bank's overall management and ensures that business policies and practices are in line with the Bank's business interests. See also "*Risk management—Risk management framework*". The Board Executive Committee's members are Soud Ahmad Abdulrahman Ba'alawy as chairman, Hussain Ahmad Dhaen AlQemzi as vice chairman and Saif Jaffar Suhail Markhan Alketbi. The Board Executive Committee met three times in 2015 and three times in 2014.

The Board Risk Committee

The Board Risk Committee is responsible for reviewing management's recommendations on risk including, in particular, the Bank's risk appetite, risk profile, overall enterprise risk management framework and key risk issues. The Committee is also responsible for ensuring that corporate governance standards are observed and for formulating strategy for enterprise-wide risk management and the evaluation and alignment of risk policies. See also "*Risk management—Risk management framework*". The Board Risk Committee's members are Essa Abdulfattah Kazim Al Mulla as chairman, Soud Ahmad Abdulrahman Ba'alawy as vice chairman and Hussain Ahmad Dhaen Al Qemzi. The Board Risk Committee met twice in 2015 and twice in 2014.

The Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee is responsible for considering matters relating to the remuneration and composition of the Board. The Committee is also responsible for the remuneration and incentives for the CEO and his direct reports, including ensuring that they are appropriate and consistent with the Bank's culture, business and risk strategy, performance and control environment as well as with any legal or regulatory requirements. The Committee also reviews strategic issues relating to human resources. The Board Nomination and Remuneration Committee's members are Saif Jaffar Suhail Markhan Alketbi as chairman, Soud Ahmad Abdulrahman Ba'alawy as vice chairman and Essa Abdulfattah Kazim Al Mulla. The Board Nomination and Remuneration Committee met four times in 2015 and twice in 2014.

The Board Audit Committee

The Board Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities for financial reporting, internal control, audit process and compliance with laws and regulations. The Board Audit Committee is also responsible for reviewing the internal audit programme, considering the major findings of each internal audit review, making appropriate investigations and responses, ensuring co-ordination between the internal and external auditors and keeping under review the effectiveness of internal control systems. In particular, the committee is responsible for reviewing the external auditor's management letter and management's responses thereto. See also "*Risk management—Risk management framework*". The Board Audit Committee's members currently are H.E. Abdulla Mohamed Saeed AlGhobash as chairman, Sultan Ahmad Sultan bin Sulayem as vice chairman and Essa Abdulfattah Kazim Al Mulla. The Board Audit Committee met four times in 2015 and three times in 2014.

Senior management

The members of the Bank's senior management team are:

Senior management	Position	Appointed
Hussain Al Qemzi	Chief Executive Officer	1 November 2006
Dr. Ahmed Aljanahi	Deputy Chief Executive Officer and Head of Enterprise Risk and Governance	1 November 2006
Ahmed Kalim	Deputy Chief Executive Officer and Chief Operating Officer	26 November 2006
Damian White	Treasurer	9 February 2014
Saadaat Yaqub	Head of Wholesale Banking	22 August 2007
Kazim Ali	Head of Corporate Banking	20 September 2007
Mohammed Qadeer Abdullah	Head of Financial Risk Management and Basel II	28 September 2008
Kumar Iyer	Chief Credit Officer	1 March 2015
Muhammad Irfan UlHaq	Head of Finance	25 July 2007
Omar Rahman	General Counsel	10 June 2007
Biju Nair	Head of Internal Audit & Business Risk Review	28 August 2007

Senior management	Position	Appointed
Achuta Kamath	Head of Operations and Administration	15 December 2011
S.V. Padmanabhan	Chief Technology Officer	18 March 2007
Amjad Nasser	Head of *Shari'a*	21 January 2007
Abdulqader Lootah	Group Head of Public Relations	1 November 2006
Sami Al Awadi	Chief Compliance Officer	4 April 2016

The address of each member of senior management is the registered office of the Bank at Building 1, Level 8, Emaar Square, Downtown Dubai, P.O. Box 8822, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the members of senior management listed above and their duties to the Bank.

Brief CVs for each member of the management team (other than Hussain Al Qemzi) are set out below.

Dr. Ahmed Aljanahi (Deputy Chief Executive Officer and Head of Enterprise Risk and Governance)

Dr. Aljanahi has over 30 years' experience in the banking sector, with over 15 years in Islamic banking. Prior to joining the Bank, he was the chief executive and a board member of Investors Bank, Bahrain, where he was responsible for establishing the Bank. He also has leadership experience in International Investment Group, Kuwait, Al Baraka Investment Bank, Bahrain and Bank of Bahrain and Kuwait.

Dr. Aljanahi has a Master of Business Administration (**MBA**) from the University of Bahrain, Bahrain and a PhD in Strategic Management from the University of Bradford, United Kingdom.

Ahmed Kalim (Deputy Chief Executive Officer and Chief Operating Officer)

Mr. Kalim has over 22 years' experience in the banking sector. Prior to joining the Bank, he was the chief information officer and head of operations of Dubai Bank until 2006, where he was responsible for strategic guidance of the Bank and played a key role in establishing it. Before that, he worked with Citibank, N.A. in both the UAE and Pakistan, holding senior positions in technology, operations and quality assurance.

Mr. Kalim is a graduate in Business Management from Southern Nazarene University, Oklahoma, USA.

Damian White (Treasurer)

Mr. White has over 14 years' experience in treasury and funding. Prior to joining the Bank, he was group treasurer at Al Rajhi Bank, KSA and has also worked for National Australia Bank and Lehman Brothers.

Mr. White has an MBA from Melbourne Business School, Australia.

Saadaat Yaqub (Head of Wholesale Banking)

Mr. Yaqub has over 16 years' experience in corporate banking, relationship management, investment banking, syndication and capital markets. Prior to joining the Bank, he was the head of investment banking at MCB Bank Limited in Pakistan with responsibilities for origination, distribution and execution of various corporate financing offering mandates.

Mr. Yaqub has an MBA from the Institute of Business Administration, Karachi.

Kazim Ali (Head of Corporate Banking)

Mr. Ali has over 25 years' experience in banking across multiple geographies in Asia. Prior to joining the Bank, he was a senior vice president of credit portfolio management at ABN AMRO Bank NV in Hong Kong and also managed corporate relationships, origination and development of the wholesale banking strategy at ABN AMRO in Pakistan.

Mr. Ali has an MBA from the Institute of Business Administration, Karachi.

Mohammed Qadeer Abdullah (Head of Financial Risk and Basel II)

Mr. Abdullah has over 20 years' experience across risk management, treasury, finance and investments. He is responsible for asset and liability management, market risk, capital adequacy and compliance in the Bank. Prior to joining the Bank, Mr. Abdullah was responsible for value-based management and asset and liability management at Emirates NBD and before that he was responsible for asset and liability management and market risk at Riyad Bank.

Mr. Abdullah is a qualified Financial Risk Manager from the Global Association of Risk Professionals. He has a masters degree in commerce and an MBA and a Level III candidate in the Chartered Financial Analyst Program.

Kumar Iyer (Chief Credit Officer)

Mr. Iyer has 25 years' experience in banking and auditing, including 18 years as a risk management professional in banks. Prior to joining the Bank, he spent 15 years with HSBC in the Middle East covering credit risk and three years with United Arab Bank handling credit and market risk. Mr Iyer is a qualified Chartered Accountant from India.

Muhammad Irfan UlHaq (Head of Finance)

Mr. UlHaq has over 25 years' experience in banking finance and audit. Prior to joining the Bank, he was the assistant general manager, group finance with Al Rajhi Bank, Saudi Arabia where he managed budgeting, management information systems and planning, business support and was a member of the asset and liability committee. Mr. UlHaq has also worked for Citibank, N.A. and Standard Chartered Bank in Pakistan.

Mr. UlHaq is a commerce graduate from the University of Karachi and a professionally qualified Chartered Accountant from the Institute of Chartered Accountants of Pakistan.

Omar Rahman (General Counsel)

Mr. Rahman has over 18 years' experience as a solicitor and legal counsel, working for international law firms and multi-national companies. He qualified as a solicitor in the City of London with Simmons & Simmons. He moved to the UAE in 1999, working with Dentons & Co, before moving in-house as legal counsel at Western Union Financial Services Inc. in Dubai. Mr. Rahman joined the Bank as General Counsel in June 2007.

Mr. Rahman is a law graduate, and also has a post graduate qualification from the University of Oxford.

Biju Nair (Head of Internal Audit & Business Risk Review)

Mr. Nair has over 18 years' experience in banking and audit. Prior to joining the Bank, he was the head of information security at Sharjah Islamic Bank and has extensive experience in information security and operational risk management products, processes and policies.

Mr. Nair is an engineering graduate from the College of Engineering, Trivandrum, Kerala University.

Achuta Kamath (Head of Operations and Administration)

Mr. Kamath has over 30 years' experience in investment banking operations and trade finance. Prior to joining the Bank, he was vice president and department manager, operations division with Union National Bank, Abu Dhabi and has also worked with ABN AMRO Bank N.V. and HSBC.

Mr. Kamath is a Science and Law graduate from Mumbai University, India.

S.V. Padmanabhan (Chief Technology Officer)

Mr. Padmanabhan has over 21 years' experience in banking and IT. Prior to joining the Bank, he was the vice president and head of India data centers at Citibank, N.A. in India. He has also worked at large IT organisations (including Wipro), supporting critical business applications.

Mr. Padmanabhan is an engineering graduate from Mumbai University, India.

Amjad Nasser (Head of Shari'a)

Mr. Nasser is currently the Head of Shari'a at Noor Investment Group. He represents Noor Islamic Bank at several Islamic regulatory bodies, including the Accounting & Auditing Organization of Islamic Financial Institutions (**AAOIFI**) and the Islamic Centre for Reconciliation and Arbitration (ICRA). Mr. Nasser is a certified Shari'a Advisor & Auditor, and also a certified Islamic Professional Accountant from the AAOIFI. Mr. Nasser has worked with some of the most prominent Shari'a scholars in Islamic finance for a number of years and has a wealth of knowledge of and experience in Shari'a practices, as well as over 18 years' experience in banking across customer service, relationship management, branch and retail banking. Mr. Nasser's extensive experience allows him to play a significant role in designing products, structuring deals and providing Shari'a consultations.

In 2011 Mr. Nasser was recommended by Noor Investment Group Shari'a Supervisory Committee and was subsequently appointed as the member of the Shari'a Supervisory Committee for Noor Takaful Family and Noor Takaful General to oversee the Takaful arm of Noor Investment Group. As a founder member, Mr. Nasser played a vital role in establishing Noor Bank and Noor Takaful and recently Noor Awqaf and Noor Trade.

Mr. Nasser is a graduate of Yarmouk University, Jordan.

Abdulqader Lootah (Group Head of Public Relations)

Mr. Lootah has over 25 years' experience in government and public relations, armed forces, security and intelligence. Prior to joining the Bank, he was manager of government relations at Dubai International Finance Centre, where he headed all government relations and special mission activities. He was also a Major in the UAE Armed Forces, handling various portfolios in medical and health, military intelligence and security for the Ruler of Dubai.

Mr. Lootah holds a Diploma in Military Sciences.

Sami Al Awadi (Chief Compliance Officer)

Mr. Al Awadi has over 14 years of experience with the Dubai Police across different roles, his last being in the Criminal Investigation Department (CID). After his move into the banking sector, Mr. Al Awadi has held a number of leadership positions with leading banks. His previous roles include Head of Anti-Money Laundering at the Bank and Senior Manager at the Fraud Prevention Unit of Emirates NBD. Prior to re-joining the Bank as Chief Compliance Officer, he was Deputy Head of Compliance, AML & Fraud Prevention at Commercial Bank of Dubai.

Management committees

The Bank has six management committees: the operational risk committee, ALCO, credit committee, internal capital adequacy assessment committee, management committee and the human resource committee.

Operational risk committee

See "*Risk management—Risk management framework*". The members of this committee are the Head of Risk (who is also the Chairman), the Head of Operational Risk & Governance (Vice Chairman), the Head of Corporate Banking, the Head of Retail Banking, the Treasurer, the Head of Finance, the Chief Technology Officer, the Head of Human Resources, the Head of Compliance, the Head of Operations and the Head of Administration & Real Estate. This committee met 12 times in 2015 and 12 times in 2014.

ALCO

See "*Risk management—Risk management framework*". The voting members of this committee are the CEO, the Head of Enterprise Risk & Governance, the Chief Operating Officer, the Treasurer (who is also the Chairman), the Head of Finance (who is also the Vice Chairman), the Head of Risk, the Head of Corporate Banking, the Head of Retail Banking, the Head of Wholesale Banking and the Head of Financial Risk & Basel II (who is also the Secretary). This committee met 12 times in 2015 and 12 times in 2014.

Credit committee

See "*Risk management—Risk management framework*". The voting members of this committee are the Head of Enterprise Risk and Governance (who is also the Chairman), the Chief Credit Officer (who is also the Vice Chairman), the CEO, the Head of Risk and the Head of Credit – Corporate & Wholesale Banking (who is also the Secretary). The non-voting members are the business heads. This committee met 15 times in 2015 and 15 times in 2014.

Internal capital adequacy assessment committee

This committee is responsible for proposing risk appetite, reviewing and approving risk assessment methodologies, capital management and planning policy and ensure that robust stress testing and scenario analysis is undertaken. The voting members of this committee are the CEO (who is also the Chairman), the Head of Enterprise Risk and Governance (who is also the Vice Chairman), the Chief Operating Officer, the Head of Finance, the Head of Risk and the Head of Financial Risk & Basel II. This committee met three times in 2015 and twice in 2014.

Management committee

See "*Risk management—Risk management framework*". The members of this committee include the CEO (who is also the Chairman), the Head of Enterprise Risk & Governance (who is also the Vice

Chairman), the Chief Operating Officer, the Head of Risk, the Head of Finance, the business heads, the support function heads and the Head of Internal Audit and Business Risk Review. This committee is responsible for overseeing the day to day business of the Bank to attain sustained performance excellence by taking into account the prevailing and future risk environment, consistent with the Bank's vision, mission and strategy. This committee met nine times in 2015.

Human resource committee

This committee is responsible for ensuring that key human resources policies and programmes support the Bank's people management principles and philosophies. The members of this committee are the CEO (who is also the Chairman), the Head of Enterprise Risk and Governance, the Chief Operating Officer, the Head of Corporate Banking and the Head of Retail Banking. This committee met two times in 2015 and three times in 2014.

Shari'a Supervisory Committee

The Bank is required by law to maintain a *Shari'a* Supervisory Committee. The Bank's *Shari'a* Supervisory Committee, which is appointed by the shareholders, comprises Islamic scholars with strong reputations and with extensive experience in *Shari'a* rules and principles, economics and banking systems. The *Shari'a* Supervisory Committee's responsibilities include directing, reviewing and supervising the activities of the Bank in order to ensure that they are in compliance with Islamic *Shari'a* rules and principles including, but not limited to, supervising the development and creation of innovative *Shari'a*-compliant products, issuing opinions on any matter proposed to it by business units of the Bank, ensuring (via *Shari'a* auditors) that transactions are carried out in compliance with *Shari'a* principles and analysing contracts and agreements concerning the Bank's transactions.

The following table sets out the names of the current members of the *Shari'a* Supervisory Committee:

Name	Position	Date joined
Dr. Mohamed Ali Elgari	Chairman	11 January 2007
Dr. Mohammed Daud Bakar	Member	11 January 2007

Detailed below is brief biographical information on the members of the *Shari'a* Board:

Dr. Mohamed Ali Elgari

Dr. Ali Elgari graduated from the University of California with a Ph.D in Economics and is currently Professor of Islamic Economic and Director of Islamic Economic Research at King Abdulaziz University in Jeddah. He is a member of the International Islamic Fiqh Academy and serves as an expert at the Islamic jurisprudence academies of the Organisation of Islamic countries and the Islamic World League as well as member of the *Shari'a* Council of the Accounting and Auditing Organization for Islamic Financial Institutions (**AAOIFI**). He is a member of *Shari'a* Boards at Islamic banks and takaful companies across the region including those of SAAB, Standard Chartered Bank, Dow Jones Islamic Market Indices, Citi Islamic Investment Bank, Crédit Agricole CIB and SAMBA Financial Group.

Dr. Mohammed Daud Bakar

Dr. Bakar currently sits as a chairman of the *Shari'a* Advisory Council at the Central Bank of Malaysia, the Securities Commission of Malaysia, the Labuan Financial Services Authority and the International Islamic Liquidity Management Corporation. He is also a *Shari'a* board member of various financial institutions, including the National Bank of Oman, Amundi Asset Management, Morgan Stanley, Bank of London and Middle East, BNP Paribas, Islamic Bank of Asia and Dow

Jones Islamic Market Index. He is also the founder and group chairman of Amanie Advisors, a global boutique *Shari'a* advisory firm with offices located worldwide.

Prior to this; he was the deputy vice-chancellor at the International Islamic University Malaysia. He received his first degree in *Shari'a* from the University of Kuwait and obtained his PhD from the University of St. Andrews, United Kingdom. He also completed his external Bachelor of Jurisprudence at the University of Malaya. He has published a number of articles in various academic journals and has made many presentations in various conferences both local and overseas.

EMPLOYEES

As at 30 December 2015, the Bank had 757 full time staff, compared with 551 as at 31 December 2014 and 404 as at 31 December 2013.

The Bank offers its employees a range of benefits, including education allowances, furniture allowance, club allowance, air fare and medical takaful. It pays staff performance bonuses and runs staff incentive schemes, as well as paying end of service benefits.

The Bank provides a comprehensive training and development programme for all its employees. In addition to a training and induction programme for all new employees, the Bank focuses on ensuring that all employees are fully informed about and understand its products and services. The Bank offers its employees a range of training programmes to help increase both professional and personal development.

The Bank is in compliance with applicable Emiritisation requirements and its Emiritisation level was 42 per cent. at 31 December 2015.

OVERVIEW OF THE UAE

Information in the section has been obtained from the International Monetary Fund's World Economic Outlook Database for April 2016, the Organization of Petroleum Exporting Countries' Annual Statistical Bulletin for 2015 and the other sources identified below.

Introduction

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi. The federation is governed by the Supreme Council of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (who may serve for an unlimited number of renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and as President of the UAE.

Based on IMF data for 2015, the UAE is the second largest economy in the MENA region after Saudi Arabia based on nominal GDP and the third largest after Qatar and Kuwait based on nominal GDP per capita. It has a more diversified economy than most of the other countries in the GCC. According to OPEC data, at 31 December 2014, the UAE had approximately 6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world).

The UAE enjoys good relations with the other states in the GCC. However, the UAE does have a longstanding territorial dispute with Iran over three islands in the Gulf and, as such, is not immune to the political risks that have overshadowed the region.

On 4 March 2016, Moody's Singapore placed the UAE's long-term credit rating of Aa2 on review for possible downgrade, with a view to assessing the impact of an extended period of depressed oil prices on the UAE's economy.

SUMMARY STATISTICAL DATA

UAE nominal GDP

To date, no GDP information has been published for the UAE for any period during 2015.

The table below shows the UAE's nominal GDP for each of the years indicated:

	2013	**2014**	**2015**
		AED million	
UAE nominal GDP	1,422.0	1,467.0	N/A

Source: The International Monetary Fund's World Economic Outlook Database for April 2016.

UAE population

The population of the UAE, based on the most recent census for which data has been published, was approximately 4.1 million in 2005. The FCSA estimated the population of the UAE to be approximately 8.3 million in mid-2010 and approximately 9.3 million in mid-2014.

The population of the UAE has grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed. The table below illustrates this growth since 1985.

	1985	1995	2005	2010	2014
UAE population	1,379,303	2,411,041	4,106,427	8,264,070(1)	9,338,075(1)

Source: The UAE Federal Competitiveness and Statistics Authority (**FCSA**).
Notes:
(1) FCSA estimates.

UAE CONSTITUTION

The original constitution of the UAE (the **Constitution**) was initially provisional and provided the legal framework for the UAE. The Constitution was made permanent pursuant to a constitutional amendment in December 1996.

The Constitution apportions powers between the UAE Federal Government (based in Abu Dhabi) and the governments of the constituent Emirates. The UAE Federal Government is entrusted with the task of promulgating substantive legislation concerning and regulating the principal and central aspects of the UAE. The local governments of each Emirate are authorised to regulate local matters not confined to the UAE Federal Government. Articles 120 and 121 of the Constitution specifically state that certain matters, such as foreign affairs, security and defence and public health must be governed by federal law. All other matters not specifically assigned to the exclusive jurisdiction of the UAE Federal Government may be regulated by the local government of each Emirate.

The Constitution also states that the UAE shall form a single economic and customs entity with free movement of capital and goods between the Emirates. The natural resources and wealth in each Emirate shall be considered to be the public property of that Emirate.

GOVERNANCE OF THE UAE

The governance of the UAE at the federal level is divided between the Federal Supreme Council (the **Supreme Council**), the Federal Council of Ministers (the **Cabinet**) and the Federal National Council.

The Supreme Council is the highest federal governing body and consists of the rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President of the UAE (for renewable five year terms). Decisions relating to substantive matters are decided by a majority vote of five Emirates, provided that the votes of both Dubai and Abu Dhabi are included in that majority, but matters which are purely procedural are decided by a simple majority vote. The Supreme Council is vested with legislative as well as executive powers. It ratifies federal laws and decrees and sets federal policies.

The Cabinet is described in the Constitution as the executive authority of the UAE and is responsible for implementing policy decisions of the Supreme Council. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft legislation and the drawing up of the annual federal budget.

The Federal National Council is a parliamentary body and has both a legislative and supervisory role under the Constitution. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation itself.

LEGAL AND COURT SYSTEM

There are three primary sources of law in the UAE, namely: (i) federal laws and decrees (applicable in all seven Emirates); (ii) local laws and decrees (i.e. laws and regulations enacted by the Emirates individually and which, when issued, have full legal effect and operation in such Emirate); and (iii) the *Shari'a* (Islamic law). In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government of each Emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter Emirate disputes and disputes between the UAE Federal Government and individual Emirates.

In accordance with the Constitution, three of the seven Emirates (Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE and these courts have sole jurisdiction to hear cases brought in those respective Emirates.

THE UAE BANKING SECTOR AND REGULATIONS

SUMMARY

According to data published by the Central Bank, as at 31 December 2015 there were a total of 49 banks (23 locally incorporated banks and 26 foreign banks) licensed to operate in the UAE, to serve a national population of approximately 9.3 million people at 30 June 2014 based on the latest available estimate from the UAE Federal Competitiveness and Statistics Authority. As a result the UAE could be viewed as an over-banked market, even by regional standards, and there has traditionally been little impetus for consolidation. The UAE's membership of the WTO will require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

As a banking regulator, the Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE through on-site inspections as well as off-site analysis of data provided by the banks through the banking return form reporting system. The frequency of inspection depends on the perceived risk of the bank, but full inspections are carried out in all banks at least once every 12 months and special investigations may be conducted as and when considered appropriate by the regulator. Banking returns are submitted monthly, quarterly, semi-annually or annually, depending on the nature of the information required. An improved risk monitoring framework is currently being implemented, which is designed to provide the Central Bank with more up-to-date information on credit, market and operational risks within individual banks as well as the banking sector as a whole.

The Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirates.

CHARACTERISTICS OF THE BANKING SYSTEM

Lack of consolidation

Traditionally there has been little impetus for consolidation in the UAE banking industry, with mergers in the past tending to be driven by banks facing financial difficulties. The federal structure of the UAE has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation.

In October 2007, the UAE's then second and fourth largest banks at the time, Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C., merged to become Emirates NBD P.J.S.C.

The relatively small size of most UAE banks has occasionally hindered them from competing for large financing transactions in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as information technology system development. The advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, with the possibility of creating banks with pan-Gulf franchises.

Domestic focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas. With a large number of banks, competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

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

Limited foreign ownership

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

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

In 2013, a similar free zone in Abu Dhabi, the Abu Dhabi Global Market, was established.

Exposure to the hydrocarbon sector

With much of the economy directly or indirectly dependent on the hydrocarbon sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices (see "*Risk factors—Risks relating to the Bank—The UAE's economy is highly dependent upon its oil revenue*"). In particular, hydrocarbon revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements.

Islamic banking

Shari'a (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest.

The UAE is home to numerous institutions offering Islamic banking and financial products. In addition to the Bank, these institutions include Dubai Islamic Bank P.J.S.C., Abu Dhabi Islamic Bank P.J.S.C., Emirates Islamic Bank P.J.S.C., Al Hilal Bank, Ajman Bank, Sharjah Islamic Bank P.J.S.C., Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co. (P.S.C.) (Salama), Tamweel and Amlak Finance. The number of Islamic banks continues to increase, 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: (i) federal laws and decrees; (ii) local laws; and (iii) *Shari'a* law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

Supervision of banks

The main legislation applicable to the banking system is Union Law No. 10 of 1980 (the **Union Law**) which established the Central Bank. Under the Union Law, which is currently under review and may change, the Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies.

The Union Law grants the Central Bank powers to:

- exercise currency issue, stabilisation, valuation and free convertibility;
- direct credit policy for balanced growth of the economy;
- organise and promote an effective banking system with private banks and institutions;
- advise the federal government on financial and monetary issues;
- maintain the federal government's reserves of gold and foreign currencies;
- act as a bank for the federal government and other banks operating in the UAE; and
- act as the federal government's financial agent with the IMF, the World Bank and other international financial organisations.

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 UAE banks, denominated in both U.S. dollars and dirham, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the Central Bank at any time. In 2007, the Central Bank introduced an auction system which allows U.S. dollar drawings against dirham-denominated CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The Central Bank is also tasked with sponsoring anti-money laundering activities in the UAE. It supports a Financial Intelligence Unit and regularly hosts teams from the Financial Action Task Force (the **FATF**) and the IMF who review, discuss and test existing UAE laws and regulations. The UAE is not on the FATF's list of high risk and non-cooperative jurisdictions and ranks 23 on Transparency International's Corruption Perceptions Index 2015, which ranks 167 countries in terms of their perceived level of public sector corruption.

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 ADX (both of which were established in 2000), have grown 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.

The NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the Dubai Financial Market announced its intention to acquire the NASDAQ Dubai, with completion of the acquisition having occurred in July 2010. The Dubai Financial Market and the ADX were upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014.

Government involvement

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to manifest in practice. The state and its related entities are together the banking sector's largest customer, in terms of both deposits and project financing.

Expatriate workforce

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up approximately 80 per cent. of the workforce at 30 June 2014 according to estimates published by the Statistics Centre – Abu Dhabi. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the UAE has been an increasing concern for the UAE federal government and, as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase 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. Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

Structure of the banking system

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "National" banks, of which there are 23 as at 31 December 2015, are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals.

Licensed foreign banks, of which there are 26 as at 31 December 2015, need to demonstrate that at least AED 40.0 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 which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

RECENT TRENDS IN BANKING

Profitability

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

However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE from 2008 to 2011 in response to the global financial crisis but, rebounded between 2012 and 2014, before declining again in 2015.

During 2008 to 2010, a number of banks were also affected by the impact of mark to market accounting rules on their international investment portfolios. Additionally, during the same period, the UAE economy was negatively impacted by the global economic downturn and, in particular, by the sharp correction in the price of oil, which affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, constrained lending and resulted in the majority of UAE banks being less profitable in this period than in previous years.

The IMF noted in its August 2015 Article IV consultation that the UAE banking sector is resilient and has sufficient capital and liquidity buffers to withstand an adverse shock. It welcomed plans to strengthen the banking regulatory and supervisory framework as well as the Central Bank's plans to phase in Basel III and liquidity standards between 2015 and 2019 and to strengthen its risk-based supervision. However, it also noted that the corporate sector in the UAE is characterised by large government-related entities and family groups and, as a result, compliance by banks with concentration limits for government-related entities and local governments is challenging and needs close monitoring. See "—*Large exposures*" below.

Liquidity

The Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress. Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. According to data made available by the Central Bank, together, these deposits constituted 88.3 per cent. of total deposits (excluding inter-bank deposits, government deposits and commercial prepayments) of the UAE banking sector as at 31 December 2015. Government and public sector deposits contributed approximately 23.8 per cent. of total deposits (excluding inter-bank deposits and bank drafts but including commercial prepayments) at 31 December 2015. Non-resident and other sources contributed 11.6 per cent. of total deposits (excluding inter-bank deposits and bank drafts but including commercial prepayments) as at the same date.

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 were restructured by the authorities. In addition, following the impact of the global financial crisis the Central Bank and the Ministry of Finance provided in aggregate AED 70 billion through a range of liquidity support facilities that banks in the UAE could avail by various means. This support included the Ministry of Finance placing deposits, which were later converted into subordinated debt that qualified as Tier 2 capital.

Many banks replaced these notes through the issuance of Tier 2 notes in 2013. As at 31 December 2015, approximately AED 12.5 billion of this support remained outstanding.

Additionally, the Abu Dhabi government injected AED 16 billion into the capital of five Abu Dhabi banks in February 2009. This latter injection came in the form of Tier 1 perpetual capital notes.

In line with Basel III requirements, the Central Bank issued a Liquidity Notice which entered into force in the UAE on 1 July 2015 and includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

Responsibilities of the board of directors:

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having 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) with the results being communicated to the board of directors and, on request, to the Central Bank;
- 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 are intended to apply until the Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio come into effect. These include the following:

	Ratio	**Applicability period**
Interim ratios:	Liquid Asset Ratio (LAR > =10%)	1 January 2013 – 30 June 2015
	Eligible Liquid Assets Ratio (ELAR > = 10%)	1 July 2015 – December 2017
	Uses to Stable Resources Ratio (USRR < 100%)	1 June 2013 – December 2017
Basel III ratios:	Liquidity Coverage Ratio (LCR > 100%)	January 2018 onwards
	Net Stable Funding Ratio (NSFR < 100%)	January 2018 onwards

The LAR was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the ELAR. Under the ELAR, 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, 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 were required to move to compliance with the LCR (subject to receipt of Central Bank approval). The Bank has not chosen to take up this option and has instead chosen to remain compliant with the ELAR until 31 December 2017. From 1 January 2018, the Bank, like all UAE banks, will be required to comply with the LCR.

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.

The Uses (of funds) to Stable Resources Ratio (the **USRR**) is an interim ratio designed to prepare UAE banks for the implementation of NSFR (as described below). The USRR identifies key uses of funds as well as different types of funding sources used by banks. It assigns stability factors to sources of funds and required stable funding (usage) factors to asset classes.

The NSFR is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE 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 is expected to enable 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 will let 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".

Position of depositors

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

Capital adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced in the UAE with effect from 17 November 2009.

Basel framework

The Basel II Accord (**Basel II**) is an international capital adequacy framework, originally issued by the BCBS in June 2004, with the objective of strengthening the soundness and stability of the international banking system and providing a baseline of capital adequacy regulation among international banks. Basel II comprises risk-based guidelines on capital adequacy requirements and regulatory standards and is a progression of the original 1988 Basel I Global Capital Adequacy Rules for Banks and Financial Institutions. Basel II is based on three "pillars": minimum capital requirements, supervisory review process and market discipline.

- *Pillar I*

The minimum capital requirements pillar was based on market, credit and operational risk and was designed to reduce the risk of failure by providing sufficient regulatory capital to enable continued access to financial markets for meeting the banks' liquidity needs as well as providing incentives for prudent risk management through allowing some discretion on the part of banks to utilise their own risk assessment as part of the minimum capital calculations.

- *Pillar II*

The supervisory review pillar provided national regulators with increased tools to monitor internal bank risk control and capital assessment, and in certain instances, oblige banks to increase their regulatory capital beyond the minimum requirements under Pillar I.

- *Pillar III*

The market discipline pillar implemented new and improved disclosure requirements with respect to capital adequacy in order to improve the effectiveness of the other two pillars.

Basel II requires banks to maintain a minimum capital adequacy ratio of 8 per cent. calculated as the percentage of total eligible regulatory capital to total risk-weighted assets for credit risks, operational risks and market risks. In July 2009, BCBS revised the Basel II Accord with respect to trading book capital and market risk framework, informally known as "Basel 2.5" in response to the initial dislocations caused by the financial crisis originating in the internal valuation and classification of re-securitisations such as collateralised debt obligations of asset-backed securities. Basel 2.5 obliged banks to implement more risk and stress-sensitive methodologies in the internal models utilised for calculating trading book and counterparty risk.

The Basel Committee has approved significant changes to Basel II, known as the Basel III Framework which was published by BCBS in December 2010 and January 2011, including new capital and liquidity standards for credit institutions, in response to the global financial crisis (the **Basel III Framework**). The Basel III Framework does not replace Basel II, rather, it implements a series of modifications to the existing regulatory structure.

The Basel III Framework increases the quantity and quality of the regulatory capital banks are required to hold. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit and market exposures arising from certain assets and transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity. The most significant features of the reforms introduced by the Basel III Framework are as follows:

- *Capital base*

Between 2013 and 2019, the common equity component of capital (known as Core Tier I) should increase from 2 per cent. of a bank's risk-weighted assets before certain regulatory deductions to 4.5 per cent. after such deductions. In addition, a new capital conservation buffer should be introduced, as well as a zero to 2.5 per cent. countercyclical capital buffer. As a result, the overall capital requirement (Tier I and Tier II) should increase from 8 per cent. at the Basel II baseline to 10.5 per cent. by 2019 with full Basel III Framework implementation.

- *Common equity*

Common equity will continue to form the basis of Tier I capital, but other hybrid capital instruments permitted under Basel II should be replaced with instruments that are more loss absorbing and do not have incentives to redeem. Non-qualifying instruments issued on or after 12 September 2010 should be derecognised in full from 1 January 2013; certain other instruments issued prior to 12 September 2010 which qualified as Tier 1 capital under Basel II but do not so qualify under Basel III, consisting of, among other instruments, perpetual non- cumulative preference shares, should be gradually derecognised at a rate of 10 per cent. per year from 2013 to 2023.

- *Capital charges*

Increased capital charges should be introduced with respect to re-securitisation exposures and certain liquidity commitments held in the banking book should require more capital. With respect to a bank's trading books, more robust risk assessment methodologies should be utilised to value assets and increased counterparty and market risk charges should be assessed for exposure to other financial institutions and securitised assets.

- *Leverage ratio*

A minimum 3 per cent. leverage ratio, measured against a bank's gross (and not risk-weighted) balance sheet, should be adopted on a trial basis until 2018 and definitively adopted in 2019.

- *Liquidity standards*

A "liquidity coverage ratio" requiring high quality liquid assets to equal or exceed certain cash outflows is expected to be adopted, thereby ensuring that a bank has sufficient high quality liquid assets to survive a one-month period of market stress. In addition, a "net stable funding ratio" requiring "available" stable funding sources to equal or exceed "required" stable funding should be adopted from 2018, thereby ensuring that a bank has access to capital or high quality funding to survive a one-year period of market stress.

In 1993, the Central Bank imposed a 10 per cent. minimum total capital ratio on all UAE banks. In August 2009, the Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009 increasing to a Tier 1 capital adequacy ratio of at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. In November 2009, 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 and also set out its expectations in relation to Pillar II and Pillar III of the Basel II framework.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.; and GCC sovereign debt is risk-weighted at zero per cent.

All UAE banks were required to implement the standardised approach for credit risk proposed under the Basel II Accord by 31 December 2007 and were required to be internal risk-based compliant for credit risk by 1 January 2011.

Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the Central Bank.

In order to maintain and enhance the strength and resilience of the UAE banking sector, the Central Bank is revising the regulatory capital requirements for banks operating in the UAE. The new capital regime will be aligned with the Basel III capital framework and will include requirements for enhanced capital in terms of quality and quantity and the application of a new leverage ratio. The definition of capital will also change with a higher emphasis on paid-up capital, retained earnings and disclosed reserves, and stricter rules will apply to regulatory adjustments. In accordance with Basel III, the timeframe for full implementation of the new capital regime is by the end of 2018. The Central Bank intends to begin the engagement process with banks towards implementing the new capital regime, including consultation on the new regulations, by the end of 2016.

The Basel II capital adequacy ratio of all UAE national banks was 19.3 per cent., 18.2 per cent. and 18.3 per cent. as at 31 December 2013, 2014 and 2015, respectively.

Reserve requirements

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

Credit controls

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

The Central Bank's Retail Circular introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. These regulations may be amended in the future in accordance with the Mortgage Regulations (which were published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013), which specifies that the amount of mortgage loans for non-UAE nationals should not exceed 75 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5 million), 65 per cent. of the property value for a first purchase of a home (with a value greater than AED 5 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding limits are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

Large exposures

The Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collateral and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);

- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and

- to board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

In November 2013, the Central Bank issued the Large Exposures Notice, which set percentage limits for banks' maximum exposures relative to the size of their capital base to specified entities. These entities or groups include the UAE federal and local governments and their commercial and non-commercial entities, single borrowers or groups of related borrowers and inter-bank exposures. Large exposures include funded and unfunded exposures and unused commitment lines (based on cash conversion factors) to a single borrower or group (including government-related entities) which exceed 25 per cent. of a bank's capital base. A bank's aggregate exposure to each emirate in the UAE is not allowed to exceed 100 per cent. of its capital base. Limits for foreign interbank exposures have been fixed at 30 per cent. for a bank or banking group. Claims on the Central Bank, the IMF and other similar entities, highly rated marketable bonds and sukuk issued by an emirate and deposits under lien may be excluded from large exposure calculations. Any bank that exceeds a large exposure limit set by the Large Exposures Notice is required to comply by 31 December 2018, with a reduction of its excess exposure at the rate of 20 per cent. per annum. Large exposures are monitored by the Central Bank through quarterly returns.

Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

	New limits		**Old limits**	
	Individual	**Aggregate**	**Individual**	**Aggregate**
UAE federal government and their non-commercial entities	Exempt	Exempt	Exempt	Exempt
UAE local government	No cap	100%	Exempt	Exempt
UAE local government's non-commercial entities	25% per entity	100%	Exempt	Exempt
Commercial entities of UAE federal government and UAE local government	25%	100%	25%	None
Commercial or other (non-commercial) private sector entities and individuals	25% max	None	7%	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities	20%	50%	7%	None
Exposure to bank's subsidiaries and affiliates	10%	25%	20%	60%
Board members	5%	25%	5%	25%

Provisions for loan losses

The Central Bank's Loan Classification Circular issued in November 2010 stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In addition, all banks in the UAE are required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. Banks in the UAE are required to follow International Accounting Standards and International Financial Reporting Standards in addition to the guidelines issued by the Central Bank for classifying their loans and making provisions.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

Credit information agency

AECB is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations. As at the date of this Prospectus, the Bank has entered into a data and credit information supply sharing agreement with AECB.

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.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).

Declaration of Trust

The Declaration of Trust will be entered into on the Issue Date between the Bank, 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 the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant to indemnify the Trustee given by the Bank pursuant to 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 (*The Trust*). 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), trusts, rights, authorities (including but not limited to the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the 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) upon the occurrence of a Bank Event and the delivery of a Dissolution Notice by the Delegate to the Trustee, to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 12.1 (*Bank Events*), the Delegate may at its discretion (acting on behalf of Certificateholders) or shall, if so requested in writing by Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding, in each case subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*), take one or more of the following steps: (i) institute any steps, actions or proceedings for the winding-up of the Bank and/or (ii) prove in the winding-up of the Bank and/or (iii) institute steps, actions or proceedings for the bankruptcy of the Bank; and/or (iv) claim in the liquidation of the Bank 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 to the provisos contained in Condition 12.3(a) (*Proceedings for Winding-up*)), 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 (*Bank Events*) and 12.3 (*Winding-up, dissolution or liquidation*) and the provisions of clause 17 of the Declaration of Trust, the Trustee (or the Delegate) may at its discretion and the Delegate shall, if so requested in writing by Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding and without further notice (subject in each case to Condition 12.3(e)(i) (*Realisation of Trust Assets*)), institute such steps, actions or proceedings against the Bank and/or the Trustee, as it may think fit to enforce any term or condition binding on the Bank or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of the Bank under or arising from the Transaction Documents, including, without limitation, payment of any principal or premium 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 the Bank to procure the substitution of the Trustee in the circumstances described in Condition 12.2 (*Trustee Events*), and in no event shall the Bank, 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 the name of the Trustee. Monies received in the Transaction Account will, *inter alia,* comprise payments of amounts payable under the Mudaraba Agreement immediately prior to each Periodic Distribution Date (see "– *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 or before the Issue Date between the Bank (as the Mudareb) and Noor Tier 1 Sukuk Limited (as Rab-al-Maal and Trustee) and will be governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE.

The Mudaraba will commence on the date of payment of the Mudaraba Capital to the Mudareb and will end on (i) the date on which the Certificates are redeemed in whole but not in part in accordance with the Conditions following the constructive liquidation of the Mudaraba in accordance with the terms of the Mudaraba Agreement (the **Mudaraba End Date**) or (ii) (if earlier) (A) on the Non-Viability Event Write-down Date or (B) on the date on which any payment obligation under the Mudaraba Agreement 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 Rab-al-Maal to the Mudareb and shall form the Mudaraba Capital. The Mudaraba Capital shall be invested by the Bank (as Mudareb), on an unrestricted co-mingling basis, in its general business activities carried out through 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 in reliance on the Investment Plan. The General Mudaraba Pool does not include any other investment pool maintained by the Bank.

The Mudareb is expressly authorised to co-mingle the Mudaraba Capital with its shareholders' equity and such amounts may be co-mingled in its general business activities carried out through the General Mudaraba Pool, 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 99 per cent.; and

(b) the Mudareb 1 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**) and the Rab-al-Maal Mudaraba Profit or the Rab-al-Maal Final Mudaraba Profit (as applicable) payable to the Trustee will be reduced accordingly; or (ii) is less than the then applicable Periodic Distribution Amount, the Mudareb shall first utilise any amount available in the Mudaraba Reserve (after re-crediting amounts to it in accordance with the terms of the Mudaraba Agreement if there is any such shortfall) and, if a shortfall still exists following such re-credit, 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. The Mudareb shall be entitled to deduct amounts standing to the credit of the Mudaraba Reserve (at its sole discretion) at any time prior to the Mudaraba End Date and to use such amounts for its own purposes provided that such amounts shall be repaid by it to the Mudaraba Reserve if so required to fund a shortfall.

If the Mudareb makes a Non-Payment Election or a Non-Payment Event occurs, any profit from the Mudaraba for the relevant period which is not paid to the Trustee in such circumstances shall be credited by the Mudareb to the Mudaraba Reserve and 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. The Trustee shall have no claim in respect of any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit not paid as a result of either a Non-Payment Event or (in the case of any Rab-al-Maal Mudaraba Profit only) a Non-Payment Election and such non-payment in such circumstance will not constitute a Dissolution Event. 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 a Non-Payment Event, then from the date of such 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 Bank (as 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; 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:

  (i) upon the occurrence of a Tax Event; or

  (ii) upon the occurrence of a Capital Event.

If the Mudareb were to exercise its option to liquidate in accordance with paragraph (a) or (b)(i) above and the capital to be returned to the Trustee (the **Dissolution Mudaraba Capital**) which would be generated upon such liquidation 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, if it were to proceed with such final constructive liquidation, 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 were to exercise 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, if it were to proceed with such final constructive liquidation, indemnify the Trustee in respect of such shortfall and shall pay an amount equal to the aggregate of the Dissolution Mudaraba Capital, the Capital Event Profit Amount 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 Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1 (*Bank Events*). 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 including whether the Bank is Solvent at such time.

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 such circumstances, the Mudaraba Agreement will be automatically terminated (and the Trustee shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets), the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally written-down in whole and the Certificates shall be cancelled.

The Bank (as Mudareb) and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by the Bank to be varied upon the occurrence of a Tax Event or a Capital Event pursuant to the Conditions, to 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 shall take such action as it deems appropriate, in each case, 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*.

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 Taxes, unless such withholding or deduction is required by law and provide for the payment of Additional Amounts so that the full amount which otherwise would have been due and payable to the Trustee, and/or under the Certificates, is received by the Trustee. 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), but excluding the Mudareb's obligations (if any) to pay any Taxes and/or Additional Amount, will be borne by the Mudaraba itself.

Agency Agreement

The Agency Agreement will be entered into on the Issue Date between the Trustee, the Bank, 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 in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

The Bank shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent, 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.

TAXATION

The following is a general description of certain UAE, Cayman Islands and European Union tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking dated 2 February 2016 from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from 2 February 2016 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Law (as amended). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

United Arab Emirates

There is currently in force in the Emirate of 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 of profit and principal to any holder of the Certificates or any payments to be made by the Bank to the Trustee pursuant to the Mudaraba Agreement. If any such withholding or deduction is required to be made in respect of payments due by the Bank under the Mudaraba Agreement, the Bank has undertaken to gross-up the payment(s) due by it accordingly. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates, (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions) and (ii) the Bank has undertaken to pay such additional amounts to the Trustee to enable it to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE having 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 (*FTT*)

On 14 February 2013, the European Commission has published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances.

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 any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to: (i) any non-U.S. financial institution (a foreign financial institution, or FFI (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA; and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Trustee (a **Recalcitrant Holder**). The Trustee may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2019.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the Model 1 and

Model 2 IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the Cayman Islands have entered into an agreement (the **US-Cayman IGA**) based largely on the Model 1 IGA.

If the Trustee is treated as a Reporting FI pursuant to the US-Cayman IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Trustee will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. The Trustee and financial institutions through which payments on the Certificates are made may be required to withhold FATCA Withholding if: (i) any FFI through or to which payment on such Certificates is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA; or (ii) an investor is a Recalcitrant Holder.

Whilst the Certificates are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Certificates by the Trustee, the Bank, the Principal Paying Agent and the Common Depositary, given that each of the entities in the payment chain between the Trustee and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Certificates. The documentation expressly contemplates the possibility that the Certificates may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Certificates will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Trustee and to payments they may receive in connection with the Certificates.

SUBSCRIPTION AND SALE

The Managers have, in a subscription agreement (the **Subscription Agreement**) dated 26 May 2016, agreed with the Trustee and the Bank to sell to the Managers U.S.$500,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Managers have jointly and severally agreed to subscribe for the Certificates.

In accordance with the terms of the Subscription Agreement, each of the Trustee and the Bank has agreed to reimburse the Managers for certain of their expenses in connection with the Certificates and to indemnify the Managers against certain liabilities incurred by them in connection therewith.

The Trustee and the Bank will pay each relevant Manager a commission as agreed between them in respect of Certificates subscribed by it. To the extent permitted by law, the Trustee, the Bank and the Managers may agree that commissions or fees may be paid to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Certificates by such intermediary and/or its customers.

The Subscription Agreement entitles the Managers to terminate any agreement that they make to subscribe Certificates in certain circumstances prior to payment for such Certificates being made to the Trustee.

Certain of the Managers and their respective affiliates have from time to time performed, and may perform in the future, investment banking, commercial banking and various financial and advisory services for, and have from time to time provided, or may provide, credit facilities to the Bank for which they have received, or may in the future receive, customary fees and expenses. Each of the Managers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Bank in the ordinary course of their respective businesses.

In connection with the offering of the Certificates, any shareholder or related party of the Bank may invest in and may take up Certificates in the offering and may retain, purchase or sell for its own account such Certificates. Accordingly, references herein to the Certificates being offered should be read as including any offering of the Certificates to any shareholder or related party of the Bank. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

General

None of the Trustee, the Delegate, the Bank or any Manager has made any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of the Certificates, or possession or distribution of the 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 Manager has agreed that it shall, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Certificates or has in its possession or distributes the Prospectus (in preliminary, proof or final form) or any other offering material or publicity material relating to the Certificates, in all cases at its own expense.

United States

The Certificates have not been and will not be registered under the Securities Act, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S.

persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Certificates (i) as part of their distribution at any time or (ii) otherwise until expiration of 40 days after the completion of the distribution of all Certificates, as determined and certified to the Principal Paying Agent by such Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Manager to which it sells Certificates during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until the expiration of 40 days after the commencement of the offering of the Certificates, an offer or sale of Certificates within the United States by any Manager may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Trustee and the Bank for use in connection with the offer and sale of the Certificates outside the United States. The Trustee, the Bank and the Managers reserve the right to reject any offer to purchase the Certificates, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Trustee of any of its contents to any such U.S. person or other person within the United States, is prohibited.

United Kingdom

Each Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Bank; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

Cayman Islands

Each Manager has represented and agreed that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in the Cayman Islands.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Manager has represented and agreed that the Certificates to be issued have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each 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:

(i) an Exempt Offer in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA**); and

(ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module.

Kingdom of Bahrain

Each 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 Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

(i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kingdom of Saudi Arabia

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Certificates. Any investor in Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 10 of the Offer of Securities Regulations as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the **KSA Regulations**), through a person authorised by the Capital Market Authority (the **CMA**) to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations. The Certificates may thus not be advertised, offered or sold to any person in Saudi Arabia other than to "Sophisticated Investors" under Article 10 of the KSA Regulations.

Each Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Certificates shall not therefore constitute a public offer pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under 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 CMA and: (i) the Certificates are offered or sold to a Sophisticated Investor; (ii) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

State of Qatar

Each Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any Certificates in Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Manager has represented and agreed that it will not offer or sell any Certificates, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act of 1949 (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (b) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **Securities and Futures Ordinance**) and any rules made under that Ordinance; or (c) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Malaysia

Each Manager has represented and agreed that:

(i) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the **CMSA**); and

(ii) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or

Section 257(3), 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 Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Certificates will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**).. Each 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 pursuant to Section 274 of the SFA; (ii) to a relevant person under Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Certificates. The Certificates may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. 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 Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and 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 INFORMATION

Listing

Application has been made to the DFSA for the Certificates to be admitted to listing on the Official List and to NASDAQ Dubai for the Certificates to be admitted to trading on NASDAQ Dubai. The Certificates are expected to be admitted to the DFSA's Official List on or about 2 June 2016. 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 12 May 2016. Noor Tier 1 Sukuk Limited, in its capacity as the Issuer and the 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 the Bank into the Transaction Documents was authorised by the directors of the Bank on 17 May 2015.

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 141360957 and ISIN XS1413609576.

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 Bank and its subsidiary since 31 December 2015 and there has been no material adverse change in the prospects of the Bank and its subsidiary since 31 December 2015. 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.

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.

Neither the Bank nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank is aware) during the 12 months preceding the date of the Prospectus that may have or have in such period had a significant effect on the financial position or profitability of the Bank and/or its subsidiaries, respectively.

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.

PricewaterhouseCoopers has audited the consolidated financial statements of the Bank for the year ended 31 December 2015 and the financial statements of the Bank for the year ended 31 December 2014, as stated in the auditor's reports appearing herein. PricewaterhouseCoopers has no material interest in the Trustee or the Bank.

PricewaterhouseCoopers are independent auditors registered to practice as auditors with the Ministry of Economy in the UAE, as set forth in the auditor's reports included in this Prospectus. Their address is at Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, United Arab Emirates.

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:

(a) the Memorandum and Articles of Association of the Trustee and the constitutional documents (with an English translation thereof) of the Bank;

(b) the Financial Statements. The Bank currently prepares and publishes audited consolidated financial statements on an annual basis and prepares unaudited condensed consolidated interim financial information for every quarter of each year. The Trustee is not required to, and does not intend to, publish any annual financial or interim financial statements;

(c) a copy of this Prospectus together with any supplement to this Prospectus; and

(d) the Transaction Documents.

Shari'a Approvals

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Shariah Supervisory Committee of Standard Chartered Bank and the Shari'a Supervisory Committee of the 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 Shariah Supervisory Committee of Standard Chartered Bank and the *Shari'a* Supervisory Committee of the Bank

Shariah Supervisory Committee of Standard Chartered Bank

Dr. Mohamed Ali Elgari

Dr. Ali Elgari graduated from the University of California with a Ph.D in Economics and is currently Professor of Islamic Economic and Director of Islamic Economic Research at King Abdulaziz University in Jeddah. He is a member of the International Islamic Fiqh Academy and serves as an expert at the Islamic jurisprudence academies of the Organisation of Islamic countries and the Islamic World League as well as member of the Shari'a Council of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He is a member of Shari'a Boards at Islamic banks and takaful companies across the region including those of SAAB, Standard Chartered Bank, Dow Jones Islamic Market Indices, Citi Islamic Investment Bank, Crédit Agricole CIB and SAMBA Financial Group.

Sheikh Dr. Abdussattar Abu Ghuddah

Dr. Abu Ghuddah holds a PhD in Comparative Jurisprudence from Al-Azhar University, a Bachelors in Shari'a from Damascus University, a Bachelors of Law from Damascus University, a Masters in Shari'a 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 Shari'a 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 Shari'a Board, the Accounting Standards Council and the Shari'a Council of AAOIFI. He also serves as vice chairman of the Shari'a Board of Dubai Financial Market (DFM), an executive member of the Shari'a Board of the Central Bank of Syria, a member of the Shari'a Committee of the Central Bank of Bahrain, vice chairman of the Shari'a Board of the Abu Dhabi Islamic Bank, a member of the Shari'a Board of the Sharjah Islamic Bank, chairman of the Shari'a Board of Abu Dhabi National Takaful Co., a member of the Shari'a Board of Takaful Re Limited, chairman of the Al Hilal Bank Shari'a Board, in addition to being the chairman or a member of many other Shari'a boards, including those of Standard Chartered Bank, Dow Jones Islamic Market Indices, Crédit Agricole CIB, SAMBA Financial Group, Qatar Islamic Bank and Jordan Islamic Bank.

Sheikh Nizam Yaquby

Sheikh Nizam Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in economics & comparative religions from McGill University, Canada. He has served in Bahrain Mosques from 1981 to 1990 where he taught Tafsir, Hadith and Fiqh in Bahrain since 1976. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, Sheikh Nizam Yaquby is a member of the Islamic Fiqh Academy and Auditing and Accounting Organisation for Islamic Financial Institutions. He has published several articles and books on various Islamic subjects including banking and finance.

Shari'a Supervisory Committee of the Bank

Dr. Mohamed Ali Elgari

See the description of Dr. Mohamed Ali Elgari set out above.

Dr. Mohd Daud Bakar

Dr. Mohd Daud currently sits as a chairman of the Shari'a Advisory Council at the Central Bank of Malaysia, the Securities Commission of Malaysia, the Labuan Financial Services Authority and the International Islamic Liquidity Management Corporation. He is also a Shari'a board member of various financial institutions, including the National Bank of Oman, Amundi Asset Management, Morgan Stanley, Bank of London and Middle East, BNP Paribas, Islamic Bank of Asia and Dow Jones Islamic Market Index. He is also the founder and group chairman of Amanie Advisors, a global boutique Shari'a advisory firm with offices located worldwide.

Prior to this, he was the deputy vice-chancellor at the International Islamic University Malaysia. Dr. Mohd Daud was also a member of the Shari'a Standards Committee of AAOIFI, Bahrain. He received his first degree in Shari'a from the University of Kuwait and obtained his PhD from the University of St. Andrews, United Kingdom. He also completed his external Bachelor of Jurisprudence at the University of Malaya. He has published a number of articles in various academic journals and has made many presentations in various conferences both local and overseas.

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Noor Bank PJSC

Directors' report and consolidated financial statements for the year ended 31 December 2015

Noor Bank PJSC

Directors' report and consolidated financial statements for the year ended 31 December 2015

Noor Bank PJSC

Directors' report for the year ended 31 December 2015

The Board of Directors are pleased to submit their report on the activities of Noor Bank PJSC ("the Bank") together with the audited consolidated financial statements for the year ended 31 December 2015.

Principal activities

The principal activities of the Bank are carrying out banking, financing and investing activities through various Islamic financing instruments such as Murabahah, Wakalah, Tawarruq, Istisna, Islamic sukuk and Ijarah. The activities of the Bank are conducted in accordance with the Islamic Shari'a principles and in compliance with the provisions of the Memorandum and Articles of Association of the Bank.

Results

The consolidated statement of financial position of the Bank as at 31 December 2015, together with its consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended are set out in the accompanying consolidated financial statements.

Dividends

The Board of Directors have proposed cash dividends of 10% for the year ended 31 December 2015.

Composition of the Board of Directors

The Board of Directors of the Bank comprised of the following individuals during the year ended 31 December 2015:

H.H. Sheikh Ahmed bin Mohammad bin Rashid Al Maktoum (Chairman)
H.E. Lt. Gen. Musabbeh Rashid Musabbeh Al Fattan (Vice Chairman)
H.E. Abdullah Bin Mohammed Ghobash
Mr. Sultan Ahmad Sultan bin Sulayem
Mr. Mohamed Ali Rashed Alabbar
Mr. Saif Jaffar Suhail Markhan Alketbi *
Mr. Essa Abdulfattah Kazim Al Mulla
Mr. Soud Ahmad Abdulrahman Ba'alawy
Mr. Abdulla Ahmed Mohamed Al Habbai **
Mr. Hussain Ahmad Dhaen Al Qemzi

* Appointed effective 28 July 2015
** Resigned effective 4 May 2015

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors on 24 February 2016.

……………………	……………………
Director	Director

(1)

Independent auditor's report to the shareholder of Noor Bank PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Noor Bank PJSC ("the Bank") and its subsidiary (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers (Dubai Branch), License no. 102451
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T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Douglas O'Mahony, Paul Suddaby and Jacques Fakhoury are registered as practising auditors with the UAE Ministry of Economy

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Independent auditor's report to the shareholder of Noor Bank PJSC (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No (2) of 2015, we report that:

(a) we have obtained all the information we considered necessary for the purposes of our audit;
(b) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
(c) the Group has maintained proper books of account;
(d) the financial information included in the Directors' report is consistent with the books of account of the Group; and
(e) as disclosed in note 7 to the consolidated financial statements, the Group has not purchased or invested in any shares during the financial year ended 31 December 2015;
(f) note 26 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
(g) Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Bank, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and
(h) as disclosed in note 23 to the consolidated financial statements, the Group has not made any social contributions during the year ended 31 December 2015.

Further, as required by the UAE Union Law No (10) of 1980, as amended, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
28 February 2016

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

(3)

Consolidated statement of financial position

As at 31 December 2015

	Note	2015 AED'000	2014 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	4	7,446,119	3,391,684
Due from banks	5	4,600,192	2,992,166
Investments in Islamic financing instruments	6	23,206,891	18,036,859
Investments in Islamic sukuk	7	2,441,873	2,881,263
Investment properties	8	1,231,715	1,266,567
Other assets	9	320,458	227,839
Property and equipment	10	217,218	216,577
Total assets		39,464,466	29,012,955
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	11	32,148,741	23,850,955
Wakalah term deposits	12	544,192	544,192
Due to banks	13	376,860	542,223
Sukuk financing instruments	14	1,836,450	-
Other liabilities	15	1,045,623	802,360
Total liabilities		35,951,866	25,739,730
EQUITY			
Share capital	16	3,357,895	3,307,895
Subscribed share capital	16	-	50,000
Statutory reserve	17	213,000	156,917
Revaluation surplus on land and buildings	10	124,650	127,932
Cumulative changes in fair value of available-for-sale Islamic sukuk		(5,650)	(19,984)
Accumulated losses		(177,295)	(349,535)
Total equity		3,512,600	3,273,225
Total equity and liabilities		39,464,466	29,012,955

These consolidated financial statements were approved by the Board of Directors on 24 February 2016 and signed on its behalf by:

.... Director

.... Director

The accompanying notes on pages 9 to 63 form an integral part of these consolidated financial statements.

Noor Bank PJSC

Consolidated income statement
for the year ended 31 December 2015

	Note	2015 AED'000	2014 AED'000
Operating income			
Income from Islamic financing and sukuk	18	1,130,016	895,165
Depositors' share of profit	19	(242,358)	(238,413)
Net income from Islamic financing		887,658	656,752
Fee and other income, net of charges	20	513,235	296,573
(Loss)/gain on investments in Islamic sukuk	21	(3,704)	30,990
Change in fair value of investment properties	8	-	28,356
Total operating income		1,397,189	1,012,671
Operating expenses			
Staff costs	22	(479,129)	(340,007)
General and administrative expenses	23	(132,751)	(127,270)
Depreciation	10	(26,409)	(21,532)
Total operating expenses		(638,289)	(488,809)
Operating profit before impairment on investments in Islamic financing instruments		758,900	523,862
Impairment charge on Islamic financing instruments	6	(198,069)	(122,593)
Operating profit after impairment on investments in Islamic financing instruments		560,831	401,269
Reversal of impairment loss on land and buildings	10	-	276,816
Profit for the year		560,831	678,085

The accompanying notes on pages 9 to 63 form an integral part of these consolidated financial statements.

Noor Bank PJSC

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	Note	2015 AED'000	2014 AED'000
Profit for the year		560,831	678,085
Other comprehensive income			
Items that will not be reclassified to income statement			
- Gain on revaluation of land and buildings	10	-	120,345
Items that may be subsequently reclassified to income statement			
Fair value reserve on available-for-sale Islamic sukuk			
- Net changes in fair value	7	8,519	2,316
- Net realised loss/(gain) transferred to income statement	21	5,815	(20,775)
Total other comprehensive income		14,334	101,886
Total comprehensive income for the year		575,165	779,971

The accompanying notes on pages 9 to 63 form an integral part of these consolidated financial statements.

Noor Bank PJSC

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital AED'000	Subscribed share capital AED'000	Statutory reserve AED'000	Revaluation surplus on land & buildings AED'000	Cumulative changes in fair value of available-for- sale investment in Islamic sukuk AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2014	3,307,895	-	89,108	7,587	(1,525)	(959,811)	2,443,254
Profit for the year	-	-	-	-	-	678,085	678,085
Revaluation of land and buildings (Note 10)	-	-	-	120,345	-	-	120,345
Net changes in fair value	-	-	-	-	2,316	-	2,316
Net realised gain transferred to income statement on disposal of available-for-sale investments in Islamic sukuk	-	-	-	-	(20,775)	-	(20,775)
Other comprehensive income for the year	-	-	-	120,345	(18,459)	-	101,886
Total comprehensive income for the year	-	-	-	120,345	(18,459)	678,085	779,971
Other equity movements							
Shares subscribed received (Note 16)	-	50,000	-	-	-	-	50,000
Transfer to statutory reserve (Note 17)	-	-	67,809	-	-	(67,809)	-
At 31 December 2014	3,307,895	50,000	156,917	127,932	(19,984)	(349,535)	3,273,225
Total comprehensive income for the year							
Profit for the year	-	-	-	-		560,831	560,831
Net changes in fair value	-	-	-	-	8,519	-	8,519
Net realised loss transferred to income statement on disposal of available-for-sale investments in Islamic sukuk	-	-	-	-	5,815	-	5,815
Other comprehensive income for the year	-	-	-	-	14,334	-	14,334
Total comprehensive income for the year	-	-	-	-	**14,334**	**560,831**	**575,165**
Other equity movements							
Share capital issued (Note 16)	50,000	(50,000)	-	-	-	-	-
Transfer to statutory reserve (Note 17)	-	-	56,083	-	-	(56,083)	-
Transfer from surplus on revaluation of building to accumulated losses	-	-	-	(3,282)	-	3,282	-
Dividends paid for 2014 (Note 16)	-	-	-	-	-	(335,790)	(335,790)
At 31 December 2015	**3,357,895**	**-**	**213,000**	**124,650**	**(5,650)**	**(177,295)**	**3,512,600**

The accompanying notes on pages 9 to 63 form an integral part of these consolidated financial statements.

Noor Bank PJSC

Consolidated statement of cash flows
for the year ended 31 December 2015

	Note	2015 AED'000	2014 AED'000
Operating activities			
Profit for the year		560,831	678,085
Adjustments for:			
Impairment loss on Islamic financing instruments	6	198,069	122,593
Change in fair value of investment properties	8	-	(28,356)
Gain on disposal of investment properties	20	(7,710)	-
Reversal of impairment loss on property	10	-	(276,816)
Property and equipment disposed/written off	10	5,691	-
Amortisation of premium on Held to maturity sukuk		1,673	2,887
Gain on investments in Islamic sukuk		3,704	(30,990)
Depreciation of property and equipment	10	26,409	21,532
Operating cash flows before changes in working capital		788,667	488,935
Changes in working capital:			
Statutory reserve with the UAE Central Bank	4	(902,050)	(778,318)
Due from banks	4	(1,758,870)	137,633
Investments in Islamic financing instruments	6,8	(5,380,599)	(3,868,982)
Net proceeds from disposal of investments in Islamic sukuk – Held for trading		216,136	(68,981)
Other assets	9	(92,619)	(46,104)
Customer deposits	11	8,297,786	5,187,374
Due to banks	4	24	(395,945)
Other liabilities	15	243,263	381,843
Net cash generated from operating activities		1,411,738	1,037,455
Investing activities			
Purchase of Islamic sukuk - Available for sale investments		(11,128,251)	(9,234,437)
Proceeds from Islamic sukuk - Available for sale investments		11,391,382	8,653,820
Purchase of Islamic sukuk – Held to maturity		(30,920)	(555,814)
Maturity proceeds from Islamic sukuk - Held to maturity		-	145,082
Proceeds from disposal of investment properties	8,20	55,060	-
Investments in certificate of deposits	4	(1,200,000)	(500,000)
Additional investment in other equity investments	9	-	(2,000)
Additions to property and equipment	10	(32,741)	(41,715)
Net cash generated from investing activities		(945,470)	(1,535,064)
Financing activities			
Sukuk Financing Instruments	14	1,836,450	-
Dividend Payment	16	(335,790)	-
Subscription received towards subscribed share capital	16	-	50,000
Tier II Wakalah deposit repaid		-	(770,921)
Tier II Wakalah deposit received		-	544,192
Net cash used in financing activities		1,500,660	(176,729)
Net increase/(decrease) in cash and cash equivalents		1,966,928	(674,338)
Cash and cash equivalents, beginning of the year		2,182,665	2,857,003
Cash and cash equivalents, end of the year	4	4,149,593	2,182,665

The accompanying notes on pages 9 to 63 form an integral part of these consolidated financial statements.

1 Incorporation and principal activities

Noor Bank PJSC ("the Bank") was incorporated on 26 March 2007 as a Public Joint Stock Company under UAE Federal Law No. 8 of 1984 (as amended) and is regulated by the Central Bank of the United Arab Emirates ("UAE"). The Bank has its registered office at Emaar Square, Building No. 1, Sheikh Zayed Road, P.O. Box 8822, Dubai, UAE. The Bank was registered with the Securities and Commodities Authority ("SCA") on 26 April 2007 and commenced its operations thereafter.

UAE Federal Law No. 2 of 2015 (Companies Law) which is applicable to the Group has come into effect from 1 July 2015. The Group is currently assessing and evaluating the relevant provisions of the Companies Law. It has twelve months from the effective date of the Companies Law to fully comply with the Companies Law under the transitional provisions set out therein.

The principal activities of the Bank are carrying out banking, financing and investing activities through various Islamic instruments such as Murabahah, Wakalah, Tawarruq, Ijarah, Istisna' and Islamic sukuk. The activities of the Bank are conducted in accordance with the Shari'a rules and principles as applied and interpreted by the Bank's Fatwa and Shari'a Supervisory Board and in compliance with the provisions of the Memorandum and Articles of Association of the Bank.

The Bank has a fully owned special purpose entity, Noor Sukuk Company Limited ("SPE"), which was established in April 2015 for the issuance of the sukuk (Note 14).

The consolidated financial statements for the year ended 31 December 2015 comprise the Bank and its SPE (together referred to as "the Group").

Noor Investment Group LLC ("NIG"), the parent company, holds 91% of the shareholding in the Bank.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board (IASB).

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for the fair value measurement of following items in the consolidated statement of financial position:

- Financial assets and liabilities held for trading.
- Investments in Islamic sukuk classified as available-for-sale and fair value through income statement.
- Investment properties.
- Land and buildings classified under property and equipment.

2 Basis of preparation (continued)

2.3 Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Group's functional currency. Except as indicated, the consolidated financial statements have been rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described as follows:

(a) Impairment of investments in Islamic financing instruments

The Bank reviews its financing portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recognised, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence also may include observable data indicating that there has been an adverse change in the collections from customers in a group. Management uses estimates based on historical loss experience for financing with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Classification of investments in Islamic sukuk as Held-to-Maturity ("HTM")

In accordance with IAS 39 guidance, the Bank classifies its investments in Islamic sukuk with fixed or determinable payments and fixed maturities as HTM which requires significant judgment in evaluating Bank's intention and ability to hold such investments until maturity. Except for certain specific circumstances, any sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as available-for-sale, and would prevent the Group from classifying investment in Islamic sukuk as HTM for the current and the following two financial years.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

(c) Fair valuation of investment properties and buildings under property and equipment

The fair valuation of investment properties and buildings under property and equipment is based on estimated value as determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). In undertaking the valuation the valuation experts have made a number of assumptions and relied upon various sources of information. Management reviews the assumptions based on their reasonable knowledge and other information available about the property.

(d) Estimated useful life and residual value of property and equipment

The Bank's management determines the estimated useful lives and related depreciation charges for its property and equipment at least on an annual basis. The Group carries out a review of the useful lives of property and equipment at the reporting date and makes necessary changes to the useful life of the property and equipment, if required. Residual value in case of all property and equipment are assumed to be "AED 1".

2.5 New standards and amended to published standards effective for the Group's accounting period beginning on 1 January 2015

New standards and significant amendments to standards	Effective date
Annual improvements 2012 These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to: ■ IFRS 8, 'Operating segments' which is amended to require disclosure of the judgements made by management in applying the aggregation criteria to operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. ■ IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. ■ IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.	1 July 2014
Annual improvements 2013 ■ IFRS 13 'Fair value measurement' on clarification of the portfolio exemption in IFRS 13 - The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.	1 July 2014

2 Basis of preparation (continued)

2.5 New standards and amended to published standards effective for the Group's accounting period beginning on 1 January 2015 (continued)

New standards and significant amendments to standards	Effective date
IAS 19, Defined benefit plans : Employee contributions The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees' working lives. Management should consider how it will apply that model.	1 July 2014

There is no material impact of these amendments to published standards on the consolidated financial statements of the Group.

2.6 New standards and amendments to published standards issued but not yet effective for the financial year beginning 1 January 2015 and not early adopted by the Group

New standards and significant amendments to standards	Effective date
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation. This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances.	1 January 2016
IAS 1 Amendments to IAS 1, 'Presentation of financial statements' Disclosure initiative The amendments clarify that it may be necessary to disaggregate some of the line items specified in IAS 1 paragraphs 54 (statement of financial position) and 82 (profit or loss). That disaggregation is required where it is relevant to an understanding of the entity's financial position or performance.	1 January 2016
Amendments to IFRS 10 and IAS 28, 'Investments in associates and joint ventures' regarding the sale or contribution of assets between an investor and its associate or joint venture These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.	1 January 2016

2 Basis of preparation (continued)

2.6 New standards and amendments to published standards issued but not yet effective for the financial year beginning 1 January 2015 and not early adopted by the Group (continued)

New standards and significant amendments to standards	Effective date
Annual improvements 2014 These annual improvements amend standards from the 2012 - 2014 reporting cycle. It includes changes to: ■ IFRS 7, 'Financial instruments: Disclosures' – The amendment related to servicing contracts requires that if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. ■ IAS 19, 'Employee benefits' – The amendment clarifies, when determining the discount rate for post-employment benefit obligations, that it is the currency that the liabilities are denominated in that is important, not the country where they arise.	1 July 2016
IFRS 15, 'Revenue from contracts with customers' This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2018

2 Basis of preparation (continued)

2.6 New standards and amendments to published standards issued but not yet effective for the financial year beginning 1 January 2015 and not early adopted by the Group (continued)

New standards and significant amendments to standards	Effective date
IFRS 9, 'Financial instruments' The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	1 January 2018. Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time.

The Group is in the process of assessing the impact of the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2015.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2015 that would be expected to have a material impact on the consolidated financial statements of the Group.

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Group. They are shown separately in the consolidated statements of financial position, comprehensive income and changes in equity. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary.

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Business combinations involving entities under common control are excluded from the scope of IFRS 3, Business Combinations and, accordingly, the directors of the Company are responsible for determining a suitable accounting policy for such business combinations. The directors have elected to use the uniting of interests method to account for business combinations involving entities under common control and to account for such business combinations prospectively, under the predecessor basis of accounting. Under the uniting of interests method, there is no requirement to fair value the assets and liabilities of the acquired entities and hence no goodwill arises on consolidation. The difference between the cost of the acquisition and the Group's share of the issued and paid up share capital of the acquired entity is recognized as a merger reserve in equity.

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) Transactions with the non-controlling interest holders

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.2 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, as part of ' net foreign exchange income' under "fee and other income, net of charges".

3.3 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, balances held with the UAE Central Bank, deposits and balance due from banks or due to banks and placements with original maturity of less than three months, excluding statutory deposits required to be maintained with the UAE Central Bank.

3 Significant accounting policies (continued)

3.4 Due from banks

Amounts due from banks are initially recognised at fair value and subsequently measured at amortised cost less any amounts written off and provision for impairment, if any. Impairment of amounts due from banks is assessed as outlined in the accounting policy of impairment of financial assets (Note 3.9).

3.5 Investments in Islamic financing instruments

Investments in Islamic financing instruments are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments that are not quoted in an active market.

Investments in Islamic financing instruments are initially measured at fair value including transaction costs associated with the investments in Islamic financing instruments, if any, as soon as the customer is bound by the financing agreement to drawdown the financing amount.

Investments in Islamic financing instruments are subsequently measured at amortised cost using the effective profit rate method.

The effective profit rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective profit rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees received that form an integral part of the effective profit rate) through the expected life of the financing and investing instruments to arrive at the net carrying amount on initial recognition.

Following the initial recognition, subsequent transfers between the various classes of investments in Islamic financing instruments is not ordinarily permissible.

3.6 Investments in Islamic sukuk

3.6.1 Classification

The Group classifies its investments in Islamic sukuk in the following categories: Held-to-Maturity (“HTM”) investments in Islamic sukuk, Available-For-Sale (“AFS”) investment in Islamic sukuk and financial assets at fair value through income statement (“FVTPL”). Management determines the classification of its investments at initial recognition.

Held-to-maturity

Investments in Islamic sukuk at HTM are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group’s management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount from the HTM category, the entire category would be reclassified as AFS.

Available-for-sale

Investments in Islamic sukuk at AFS are those non-derivative financial assets that are designated as AFS or are not classified as (a) investments in Islamic financing instruments, (b) HTM investments or (c) financial assets at fair value through income statement.

3 Significant accounting policies (continued)

3.6 Investments in Islamic sukuk (continued)

3.6.1 Classification (continued)

Financial assets and financial liabilities at fair value through the income statement

Investments in Islamic sukuk at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

3.6.2 Recognition and measurement

Regular-way purchases and sales are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments in Islamic sukuk are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement. Financial assets carried at fair value through income statement are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments in Islamic sukuk have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. AFS and FVTPL financial assets are subsequently measured at fair value. HTM financial assets are subsequently carried at amortized cost using the effective profit rate method. Impairment on investments in Islamic sukuk classified as HTM is assessed as outlined in the accounting policy of impairment of financial assets (Note 3.9).

Gains and losses arising from changes in the fair value of AFS financial assets are recognised in other comprehensive income, until the investments in Islamic sukuk is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity through other comprehensive income is recognized in the consolidated income statement.

Foreign currency gains and losses arising on AFS monetary financial assets are directly recognised in the consolidated income statement.

Gains or losses arising from changes in the fair value of the FVTPL category are presented in the consolidated income statement within gain on investments in Islamic sukuk in the period in which they arise. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between the carrying values and fair value estimates of financial assets and liabilities. The fair values of quoted investments in active markets are based on current bid prices, as the Group considers the bid to be most representative of fair value. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. In rare cases when the fair value of unlisted securities cannot be determined reliably, the securities are carried at cost less impairment.

Profit earned whilst holding investments in Islamic sukuk is reported as part of income from Islamic financing and sukuk in the consolidated income statement.

3 Significant accounting policies (continued)

3.6 Investments in Islamic sukuk (continued)

3.6.2 Recognition and measurement (continued)

The Group assesses at each reporting date whether there is objective evidence that an investments in Islamic sukuk are impaired. In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset are impaired. If any such evidence exists for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement – is removed from equity and recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement if there are subsequent increases in fair value. If, in a subsequent period, the fair value of a sukuk instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment is reversed through the consolidated income statement.

3.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation except for buildings, which are carried at fair value based on periodic valuations by an external independent valuer, less subsequent depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Increase in the carrying amount arising on revaluation of buildings is recognised in the consolidated statement of other comprehensive income. Increase that offsets previous decreases of the same asset are recognised in the consolidated income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement. Decrease that offsets previous increases of the same asset are charged against revaluation reserves directly in the consolidated statement of other comprehensive income; all other decreases are charged to the consolidated income statement.

Each year, the difference between the depreciation charge based on the revalued carrying amount of the asset and depreciation charge based on the asset's original cost or previous revalued amount is transferred from the revaluation reserve to retained earnings/accumulated losses.

3 Significant accounting policies (continued)

3.7 Property and equipment (continued)

Depreciation on fixed assets is calculated on the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

Years	
Buildings	25
Leasehold improvements	10
Furniture, fittings and equipment	5
Vehicles	5
Computer equipment and software	3-5

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings/accumulated losses.

Capital work in progress is stated at cost incurred from the date of commencement of the project to the date on which it is commissioned. When commissioned, capital work in progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group's accounting policies.

3.8 Investment property

Investment property comprises property held for rental yields and for capital appreciation. It is not held for purposes of the Group's own use as part of property and equipment. Investment property is initially recognized at cost, including transaction expenses. Subsequent to initial recognition, investment property is carried at fair value.

Fair value of the investment property is determined on the basis of valuation undertaken by an independent valuer who holds a recognized and relevant qualification and has recent experience in the location and category of the investment property being valued. Gains and losses arising from changes in the fair value are recognized in the consolidated income statement in the period in which they arise.

If an item of property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income in equity as a revaluation of property under IAS 16. If a fair value gain reverses a previous revaluation loss, the gain is recognised in the consolidated income statement.

3 Significant accounting policies (continued)

3.9 Impairment of financial assets

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. If an Islamic financing instrument has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of Islamic financing instruments that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a financial asset is uncollectable, it is written off against the related provision for impairment. If no related provision exists, it is written off to the consolidated income statement. Subsequent recoveries are credited to the consolidated income statement.

3 Significant accounting policies (continued)

3.9 Impairment of financial assets (continued)

If the amount of impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited to the consolidated income statement.

When the terms and conditions of financial assets that have been classified as past due are renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether the financial asset remains past due.

3.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed for possible reversal of impairment at each reporting date.

3.11 Fiduciary activities

Assets and the income arising on the Group's fiduciary activities, where it acts in a fiduciary capacity such as nominee, trustee or agent, are excluded from these consolidated financial statements. Income earned by the Group from its fiduciary services is recognised in accordance with the accounting policy on fees and other income (Note 3.16).

3.12 Customer deposits and amounts due to banks

Customer deposits and amounts due to banks are initially recognized at fair value less transaction costs. Subsequently, they are measured at amortized cost using the effective profit rate method. Amortized cost is calculated by taking into account any discount or premium on settlement.

3.13 Employee benefits

(a) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the consolidated income statement in the periods during which services are rendered by employees.

Pension contributions are made in respect of UAE and GCC national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security.

3 Significant accounting policies (continued)

3.13 Employee benefits (continued)

(b) Defined benefit plan

The provision for defined benefit obligation for the end of service benefits due to non-UAE nationals in accordance with the UAE Labour Law is calculated annually using the projected unit credit method in accordance with IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The provision arising is disclosed as ‘provision for employee’s end of service benefits’ in the consolidated statement of financial position under ‘other liabilities’.

3.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3.15 Revenue recognition on Islamic financing instruments

Income from Islamic financing and sukuk and depositors’ share of profit are recognized in the consolidated income statement for all profit-bearing Islamic financing instruments below using the effective profit rate method.

The effective profit rate method is a method of calculating the amortised cost of a financing asset or liability and of allocating the income from Islamic financing and sukuk and depositors’ share of profit. The effective profit rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financing asset or liability.

3.15.1 Murabahah

Definition

An agreement whereby the Group sells to a customer a physical asset, commodity, goods, or shares, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin. The settlement specified in the agreement is normally either on deferred lump sum basis or an instalment basis.

3 Significant accounting policies (continued)

3.15 Revenue recognition on Islamic financing instruments (continued)

3.15.1 Murabahah (continued)

Revenue recognition

Income on Murabahah financing is recognized on a time apportioned basis over the period of the Murabahah contract, using the effective profit rate method.

3.15.2 Ijarah

Definition

An agreement whereby the Group (lessor) leases to a customer (lessee) a service or the usufruct of an owned or rented physical asset which either exists currently or is to be constructed in future (forward lease), for a specific period of time and against certain rental instalments. The Ijarah could end by transferring the ownership of the asset to the lessee through an independent mode at the end of the agreement.

Revenue recognition

Income from Ijarah investments are recognized on a time apportioned basis over the lease term, using the effective profit rate method.

3.15.3 Mudarabah

Definition

An agreement between the Group and its customer where one party provides the funds and is called Rab al-Mal and the other provides efforts and expertise and is called the Mudarib. The Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudarabah profit. The Mudarib is responsible for all losses arising from misconduct, negligence or violation of the conditions of the agreement. In all other instances, the losses are borne by the Rab-al-Mal.

Revenue recognition

Income or losses on Mudarabah investments, where the Group is the Rab-al-Mal are recognized on an accruals basis if they can be reliably estimated. Otherwise, income is recognized on distribution by the Mudarib and the losses are recognised upon their declaration by the Mudarib.

3 Significant accounting policies (continued)

3.15 Revenue recognition on investments in Islamic financing instruments (continued)

3.15.4 Wakalah

Definition

An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a fee (a lump sum of money or a percentage above the anticipated profits). Similarly, the Group also obtains money to be invested under wakala agreement which is recognised as a liability in its consolidated financial statements.

Revenue recognition

The estimated income or expenses from a Wakalah is recognized on an accrual basis over the period of the investment as a liability, adjusted by the actual income or expense when received.

3.15.5 Tawarruq

Definition

An agreement between two parties, whereby the Group will, directly or indirectly, buys an asset and immediately sell it to a customer on a deferred payment basis. The Group on behalf of the customer then sells the same asset to a third party (or the customer himself sells directly) for immediate delivery and payment. The customer is given the sales proceeds and has a deferred payment obligation to the Group at a marked-up price.

Revenue recognition

Income or losses on Tawarruq financing are recognized on an accruals basis over the deferred payment period.

3.15.6 Istisna'

Definition

An agreement whereby the Group (Al-Saane') provides funds to a customer (Al-Mustasne) for the development of an asset according to pre-agreed specifications at a specific price and date.

Revenue recognition

Istisna' revenue and the associated profit margin (difference between the cash price of the asset sold to the customer and the Group's total Istisna' cost) is accounted for on an accruals basis.

3 Significant accounting policies (continued)

3.16 Fees and other income

Fees and other income from banking services are recognized on an accrual basis as the service is performed, when it is probable that associated economic benefits will be obtained and a reliable estimate of amount can be made.

Foreign exchange income on foreign exchange transactions undertaken on behalf of customers is recognised as and when the underlying customer related exchange transactions are completed.

3.17 Zakat

Zakat is computed in accordance with the Bank's Fatwa and Shari'a Supervisory Board decisions and it is the Bank's shareholders' responsibility to pay the Zakat on their respective share and therefore it is not recorded in the consolidated financial statements of the Group.

3.18 Allocation of profit

Allocation of profits between depositors and shareholders is calculated according to the Group's standard procedures and is approved by the Group's Fatwa and Shari'a Supervisory Board.

3.19 Financial guarantees

Financial guarantees are initially recognized in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. The premium received is recognized in the consolidated income statement over the life of the guarantee.

3.20 Government grants

Non-monetary grants in the form of land received from the government are recognized at fair value and credited to the consolidated income statement when there is reasonable assurance that the grant will not be revoked.

3 Significant accounting policies (continued)

3.21 Repossessed properties

When the Group acquires and becomes the legal owner of a collateralized property against full and final settlement of an Islamic financing contract, the respective contract is terminated, the related outstanding balance is de-recognised and property is recognised at the carrying amount of the Islamic financing. If the fair value of the repossessed property is lower than the carrying amount of the outstanding Islamic financing balance, the balance is first impaired to the extent of the shortfall. The subsequent measurement will depend on the intended use and classification of the repossessed property as follows:

- The property is classified as "Investment property" (Note 3.8) in case of indeterminate use, or holding it for capital appreciation and/or rental yield;
- The property is classified as "Property and equipment" (Note 3.7) if the Group intends to retain the property for self-use.
- The property is classified as "Non-current asset held for sale" and measured at the lower of its carrying amount and fair value less costs to sell, if sale of the property is highly probable, management is committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan is initiated.

3.22 Islamic derivative financial instruments

An Islamic derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group enters into a variety of Islamic derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and Islamic profit rate swap.

Islamic derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising fair value gains and losses depends on whether Islamic derivative financial instruments are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of Islamic derivatives held for trading are recognised in the consolidated income statement.

The Group designates certain Islamic derivative financial instruments as either:

a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

Hedge accounting is applied to Islamic derivatives designated as hedging instruments in a fair value or cash flow hedges provided certain criteria are met.

3 Significant accounting policies (continued)

3.22 Islamic derivative financial instruments (continued)

i) Fair value hedges

When the Islamic derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the Islamic derivative are recognised in the consolidated income statement together with changes in the fair value of the hedged item that are attributable to hedged risk. If the Islamic derivative expires, has been terminated, exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued.

ii) Cash flow hedges

When the Islamic derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of derivative is recognised in other comprehensive income within 'Cash flow hedges – fair value gains/(losses). Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the consolidated income statement.

The accumulated gains and losses recognised in other comprehensive income are reclassified to the consolidated income statement in the periods in which the hedged item will affect profit or loss. When the Islamic hedging derivative expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity until the forecast transaction is recognised. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the consolidated income statement.

3.23 Islamic swaps

Islamic swaps are based on a Waa'd (promise) structure between two parties to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Islamic swaps comprise profit rate swaps and currency swaps. In case of profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase / sale of a commodity under "Murabahah Sale Agreement" in a single currency. In case of Islamic currency swaps, profit payments as well as the cost of the underlying commodity are exchanged in different currencies, by executing the purchase or sale of commodities under "Murabahah Sale Agreements".

The accumulated gains and losses recognised in other comprehensive income are reclassified to the consolidated income statement in the periods in which the hedged item will affect profit or loss. When the Islamic hedging derivative expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the consolidated income statement. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the consolidated income statement.

3 Significant accounting policies (continued)

3.24 Promise to buy or sell currencies

Promises to buy or sell currencies are promises to either buy or sell a specified currency at a specified price and date in the future. The actual transactions are executed on the value dates, by exchanging the purchase or sell offers and acceptances between the counterparties.

4 Cash and balances with the UAE Central Bank

	2015 AED'000	2014 AED'000
Cash in hand	140,379	124,467
Balances with the UAE Central Bank:		
- Current account	1,922,360	635,887
- Certificate of deposits	2,900,000	1,050,000
- Statutory deposits	2,483,380	1,581,330
	7,446,119	3,391,684

The statutory deposits with the UAE Central Bank are not available to finance the day to day operations of the Group, except in a crisis situation. Cash in hand, current account balances and statutory deposits with the UAE Central Bank are non-profit bearing. Certificates of deposit with the UAE Central Bank carry a profit rate of 0.17% - 0.80% (2014: 0.08% - 0.39%) per annum.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2015 AED'000	2014 AED'000
Cash and balances with the UAE Central Bank	7,446,119	3,391,684
Due from banks	4,600,192	2,992,166
Due to banks	(376,860)	(542,223)
	11,669,451	5,841,627
Less: Statutory deposits with the UAE Central Bank	(2,483,380)	(1,581,330)
Less: Balances having original maturity of more than 3 months:		
- Certificate of deposits	(1,700,000)	(500,000)
- Net due from banks	(3,336,478)	(1,577,632)
Cash and cash equivalents	4,149,593	2,182,665

5 Due from banks

	2015 AED'000	2014 AED'000
Current accounts with banks	431,055	315,264
Deposits with banks	2,488,926	1,290,896
Export bills	1,680,211	1,386,006
	4,600,192	2,992,166

6 Investments in Islamic financing instruments

	2015 AED'000	2014 AED'000
Wakalah	-	400,000
Ijarah	4,880,339	3,618,148
Mudarabah	64,271	-
Murabahah	19,564,426	15,527,996
Gross investments in Islamic financing instruments	24,509,036	19,546,144
Less: allowance for impairment	(1,302,145)	(1,509,285)
Net investments in Islamic financing instruments	23,206,891	18,036,859

Movement in allowance for impairment:

	2015 AED'000	2014 AED'000
At 1 January	1,509,285	1,424,576
Charge for the year	198,069	122,593
	1,707,354	1,547,169
Written off during the year	(405,209)	(37,884)
At 31 December	1,302,145	1,509,285

The investments in Islamic financing instruments are further analysed as follows:

	2015	2014
Performing	22,597,266	17,735,186
Past due but not impaired	758,566	380,969
Impaired	1,153,204	1,429,989
Gross investments in Islamic financing instruments	24,509,036	19,546,144
Less: allowance for impairment	(1,302,145)	(1,509,285)
Net investments in Islamic financing instruments	23,206,891	18,036,859

Below is the analysis of impaired balances:

	2015	2014
Impaired but not past due	89,445	95,129
Past due and impaired	1,063,759	1,334,860
	1,153,204	1,429,989

6 Investments in Islamic financing instruments (continued)

Below is the ageing analysis of past due but not impaired balances:

0 – 29 days	358,825	225,089
30 – 59 days	205,433	78,867
60 – 89 days	134,419	50,066
90 days and above	59,890	26,947
	758,567	380,969

Economic sector risk concentration (refer to note 26 for related party credit risk concentration) of investments in Islamic financing instruments is as follows:

	2015 AED'000	2014 AED'000
Construction and real estate	2,969,589	2,116,203
Financial institutions	3,981,384	3,644,466
Manufacturing	822,619	636,675
Consumer financings and credit cards	7,570,126	5,197,013
Trade	4,262,052	4,026,202
Transport, storage and communication	1,994,186	1,762,369
Other services	2,909,080	2,163,216
Gross investment in Islamic financing instruments	24,509,036	19,546,144
Less: allowance for impairment	(1,302,145)	(1,509,285)
Net investment in Islamic financing instruments	23,206,891	18,036,859

7 Investments in Islamic sukuk

	2015 AED'000	2014 AED'000
Available-for-sale	1,598,895	1,853,507
Held to maturity	764,196	734,949
Held for trading	78,782	292,807
	2,441,873	2,881,263

At 31 December 2015, the fair value of the held to maturity Islamic sukuk portfolio was AED 769 million (2014: AED 737 million).

During the year ended 31 December 2015, the Group recognised a net fair value gain on available-for-sale investments in Islamic sukuk of AED 14.3 million (2014: loss of AED 18.5 million) in other comprehensive income under "cumulative changes in fair value of available-for-sale investment in Islamic sukuk".

The Group holds certain Islamic sukuk in a fiduciary capacity on behalf of customers without recourse to itself and, accordingly, these sukuk are not included in the Group's Islamic sukuk portfolio as at 31 December 2015 (Note 25).

The Group has not purchased or invested in any shares during the year ended 31 December 2015 (31 December 2014: AED 2 million).

8 Investment properties

	2015 AED'000	2014 AED'000
At 1 January	1,266,567	213,800
Additions during the year	12,498	54,745
Transfer from property and equipment (Note 10 (ii))	-	969,666
Disposal during the year	(47,350)	-
Change in fair value during the year	-	28,356
At 31 December	1,231,715	1,266,567

The carrying value of investment properties represents their fair value as determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). The basis of determination of fair value are the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

9 Other assets

	2015 AED'000	2014 AED'000
Accrued income on investments in Islamic financing and sukuk	194,054	160,962
Due from related parties (Note 26)	35,434	14,304
Equity investments in related companies (Note (i) below)	28,530	28,530
Promise to buy or sell currency (Note 15 (i))	19,883	2,032
Prepayments and advances	17,098	12,619
Fee and other income receivable	12,011	5,322
Others	13,448	4,070
	320,458	227,839

(i) Equity investments in related companies at 31 December 2015 and 2014, held as available-for-sale financial assets, represent the Bank's share of its investment in the following entities:

	Shareholding structure	
	Noor Bank PJSC	Noor Investment Group LLC
Noor Takaful Family P.J.S.C.	10%	90%
Noor Takaful General P.J.S.C.	10%	90%
Premium Marketing LLC	10%	90%
Noor BPO LLC	30%	70%

10 Property and equipment

	Land AED'000	Buildings AED'000	Leasehold improvements AED'000	Vehicles AED'000	Computer and office equipment AED'000	Capital work in progress AED'000	Total AED'000
Cost / fair value							
At 1 January 2015	-	172,820	36,250	1,745	194,984	13,181	418,980
Additions during the year	-	-	-	-	15,241	17,500	32,741
Transfers	-	-	-	-	4,493	(4,493)	-
Write-offs	-	-	(17,321)	-	(1,509)	-	(18,830)
At 31 December 2015	-	172,820	18,929	1,745	213,209	26,188	432,891
Accumulated depreciation							
At 1 January 2015	-	22,881	21,856	1,139	156,527	-	202,403
Charge for the year	-	8,334	3,481	240	14,354	-	26,409
Write-offs	-	-	(12,674)	-	(465)	-	(13,139)
At 31 December 2015	-	31,215	12,663	1,379	170,416	-	215,673
Net book value							
At 31 December 2015	-	141,605	6,266	366	42,793	26,188	217,218

The fair value of the Group's land and buildings was determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). During the year ended 31 December 2015, no revaluation gain/loss was recognised on buildings as the amount was not significant.

10 Property and equipment (continued)

	Land AED'000	Buildings AED'000	Leasehold improvements AED'000	Vehicles AED'000	Computer and office equipment AED'000	Capital work in progress AED'000	Total AED'000
Cost / fair value							
At 1 January 2014	621,192	118,435	36,250	1,745	160,205	11,943	949,770
Revaluation surplus	348,474	48,687	-	-	-	-	397,161
Additions during the year	-	5,698			26,384	9,633	41,715
Transfer to investment properties (note ii below)	(969,666)	-	-	-	-	-	(969,666)
Transfers	-	-			8,395	(8,395)	-
At 31 December 2014	-	172,820	36,250	1,745	194,984	13,181	418,980
Accumulated depreciation							
At 1 January 2014	-	18,153	18,231	839	143,648	-	180,871
Charge for the year	-	4,728	3,625	300	12,879	-	21,532
At 31 December 2014	-	22,881	21,856	1,139	156,527	-	202,403
Net book value							
At 31 December 2014	-	149,939	14,394	606	38,457	13,181	216,577

During the year ended 31 December 2014, an amount of AED 120.3 million has been recognised in the revaluation reserve under "other comprehensive income" and an amount of AED 276.8 million has been recognised in the consolidated income statement, which represents reversal of impairment loss on land and buildings previously recognised in the consolidated income statement.

10 Property and equipment (continued)

(i) Buildings are located at Emaar Square, Dubai, and are used as the Bank's Head Office premises;

(ii) Land comprises certain vacant plots granted by the Government of Dubai to the Group at various locations in Dubai. During the year ended 31 December 2014, the Group transferred all plots of land to investment properties since it no longer intended to use these plots of land for its own use (Refer note 8).

11 Customer deposits

	2015 AED'000	2014 AED'000
Wakalah – term	15,489,999	11,515,775
Mudarabah – savings	8,501,405	6,947,933
Qard-E-Hasan – demand	7,520,843	4,962,400
Mudarabah- term	321,163	212,345
Margin accounts	315,331	212,502
	32,148,741	23,850,955

12 Wakalah term deposits

As at 31 December 2015, Wakalah term deposits comprise Tier II deposits obtained from local financial institutions (including related parties – see Note 26) in the UAE. These deposits have maturity tenors of 10 years from the date of the respective agreements and carry an expected profit rate for each year until maturity but can be repaid by the Bank either in full or part on any profit payment date any time after 5 years from the date of the agreement. The undrawn portion of these deposits amounted to AED Nil million as at 31 December 2015 (31 December 2014: AED 165 million). The Central Bank of UAE has approved to consider the Wakalah term deposits as Tier II capital for regulatory capital calculations effective from the date of the agreement.

13 Due to banks

	2015 AED'000	2014 AED'000
Investment deposits	148,449	240,585
Current accounts	228,411	301,638
	376,860	542,223

14 Sukuk financing instruments

In April 2015, the Bank through its Shari'a compliant financing arrangement, established a Trust Certificate Issuance Programme for USD 3 billion ("the Programme"). As a part of the Programme, the first series of the trust certificates amounting to USD 500 million (AED 1,836.5 million) were issued and listed on NASDAQ Dubai on 29th April 2015.

14 Sukuk financing instruments (continued)

The terms of the Programme include transfer of certain identified assets including self-use assets, Ijarah finance assets, other tangible & intangible assets and any replaced assets ("the Co-owned Assets") to Noor Sukuk Company Limited, Cayman Islands ("the Issuer or SPE"), a special purpose entity formed for the issuance of the sukuk. In substance, these co-owned assets shall continue to remain under the control of the Bank and shall continue to be serviced by the Bank.

These sukuk will mature in five years and are expected to pay profit to the sukuk holders semi-annually based on 5 year mid-swap rate + 1.3% at the time of issuance. The semi-annual distribution amount shall be paid from the returns received in respect of Co-owned assets. Such proceeds are expected to be sufficient to cover the distribution amount payable to the sukuk holders on the semi-annual distribution date. The Bank has undertaken to buy these assets at the exercise price from the Issuer on the maturity of the sukuk.

15 Other liabilities

	2015 AED'000	2014 AED'000
Sundry disbursements payable	454,733	281,983
Accrued expenses	127,373	126,401
Managers cheques	199,059	107,858
Accrued depositors' share of profit	63,047	72,393
Employees' end of service benefits (Note 24)	32,030	23,076
Sundry collection accounts	21,691	33,896
Deferred income from Islamic financing	17,051	38,875
Due to related parties (Note 26)	10,261	-
Switch fee payable	6,554	5,083
Promise to buy or sell currency (Note (i) below)	8,010	11,897
Late payment fee (Note (ii) below)	4,457	7,439
Other payables	101,357	93,459
	1,045,623	802,360

(i) Represents mark-to-market fair valuation of Promise to buy or sell currency contracts held by the Group for its currency risk management purposes. The contractual notional value on such contracts amounted to AED 1.1 billion at 31 December 2015 (2014: AED 3.1 billion). The contractual notional value on profit rate swaps as at 31 December 2015 amounted to AED 2.2 billion (2014: AED nil).

(ii) Late payment fee pertains to the collection for delay in payments by customers. The Fatwa and Shari'a Supervisory Board decides on an amount allowable to be taken by the Bank to cover the actual cost due to the delay in payment by the customers. The remaining amount and any such additional income received, which the Fatwa and Shari'a Supervisory Board determines to be non-sharia compliant, is donated to charity under its supervision. At 31 December 2015, the late payment fee represents amount after deducting the Bank's share to cover the expenses.

16 Share capital

	2015 AED'000	2014 AED'000
Authorised, issued and fully paid up share capital:		
3,357.9 million shares (2014: 3,307.9 million shares) of AED 1 each	3,357,895	3,307,895
Subscribed share capital (refer note (i) below)	-	50,000
	3,357,895	3,357,895

(i) The subscribed share capital at 31 December 2014 had been subscribed to by Noor Group LLC at par value. The subscribed share capital was fully paid-up and approved by the Board of Directors of the Group and the UAE Central Bank. During the year ended 31 December 2015, the subscribed share capital has been converted into the statutory share capital of the Group upon completion of the necessary administrative and legal formalities.

(ii) The Board of Directors of the Bank have proposed dividends of 10% for the year ended 31 December 2015 (2014: 335.8 million). During the year ended 31 December 2015, the proposed dividend for the year ended 31 December 2014 was distributed to the shareholders upon their approval in the Annual General Meeting.

17 Statutory reserve

The UAE Federal Law No. 8 of 1984 (as amended), and the UAE Federal Law No. (2) of 2015 and the Articles of the Bank, require that 10% of the net profit for the year should be transferred to a statutory reserve until such time as the balance in the reserve equals 50% of the issued share capital. Accordingly, an amount of AED 56.1 million (2014: AED 67.8 million) has been transferred to the statutory reserve for the year ended 31 December 2015. This reserve is not available for distribution.

18 Income from Islamic financing and sukuk

	2015 AED'000	2014 AED'000
Wakalah	16,466	23,005
Ijarah	195,535	153,497
Murabahah	824,838	626,165
	1,036,839	802,667
Profit income on Islamic sukuk	93,177	92,498
Total income from Islamic financing and sukuk	1,130,016	895,165

19 Depositors' share of profit

	2015 AED'000	2014 AED'000
Wakalah - term	220,274	220,044
Mudarabah - savings	18,407	15,498
Mudarabah - term	3,677	2,871
	242,358	238,413

20 Fee and other income, net of charges

	2015 AED'000	2014 AED'000
Transactional & deposit related fees	158,870	64,392
Facility arrangement and processing fees	132,406	115,379
Net foreign exchange income	118,886	53,634
Trade services related fees	77,302	52,429
Fees from credit cards	13,962	9,208
Gain on disposal of investment properties	7,710	-
Other income	4,099	1,531
	513,235	296,573

21 Gain on investments in Islamic sukuk

	2015 AED'000	2014 AED'000
Held for trading	2,111	10,215
Available-for-sale – realised (loss)/gains	(5,815)	20,775
	(3,704)	30,990

22 Staff costs

	2015 AED'000	2014 AED'000
Salaries and allowances	394,990	286,661
Provision for employees' end of service benefits (Note 24)	9,503	7,090
Outsourced staff cost	49,185	25,874
Others	25,451	20,382
	479,129	340,007

23 General and administrative expenses

	2015 AED'000	2014 AED'000
Facilities management	43,662	49,003
IT related expenses	34,512	24,439
Marketing and advertisement	24,100	17,054
Legal and professional	14,424	12,382
Printing and stationery	9,603	7,603
Communication costs	5,715	4,411
Travelling expenses	4,166	2,754
Other expenses, net of reversal of accruals	(3,431)	9,624
	132,751	127,270

During the year ended 31 December 2015, the Group has paid AED 2.5 million (31 December 2014: AED 1.9 million) to charity in respect of late payment fee collected from the customers (Note 15(ii)). There were no social contributions made during the year ended 31 December 2015 (31 December 2014: AED nil).

24 Provision for employees' end of service benefits

	2015 AED'000	2014 AED'000
At 1 January	23,076	17,612
Provided during the year	9,503	7,090
Paid during the year	(549)	(1,626)
At 31 December	32,030	23,076

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 3.18% (2014: 3.15%). Management has assumed average annual increment/promotion costs of 3.0% (2014: 3.0%). The present value of the obligation as at 31 December 2015 is not materially different from the provision computed in accordance with the UAE Labour Law.

25 Fiduciary assets

At 31 December 2015, the Group held Islamic sukuk with a market value of AED 1.4 billion (2014: AED 0.76 billion) in a fiduciary capacity on behalf of customers' without recourse to itself. Accordingly, these Islamic sukuk are not included as part of the Group's own Islamic sukuk portfolio (Note 7).

26 Related party balances and transactions

The Group, in the normal course of business, enters into transactions with individuals and other business enterprises that fall within the definition of a related party as defined in IAS 24, Related party Disclosures at commercial terms and profit rates. Balances and transactions with related parties are as follows:

	2015 AED'000	2014 AED'000
Related party balances:		
Investment in Islamic financing instruments:		
- Shareholders and other related parties (including certain Government related entities)	699,564	730,629
- Key management personnel	16,834	12,703
	716,398	743,332
Customer deposits:		
- Shareholders and other related parties	212,995	256,595
- Key management personnel	72,628	62,802
	285,623	319,397
Wakalah term deposits (refer note 12)	34,000	34,000
Due from related parties and other assets	63,964	42,834
Due to related parties and other liabilities (refer note 15)	10,261	2,000
Accrued income from Islamic financing instruments	1,933	484
Accrued depositors' share of profit	4,539	8,531
Commitments and contingent liabilities (refer note 27)	4,875	5,273

	2015 AED'000	2014 AED'000
Related party transactions:		
Income from Islamic financing and sukuk	24,307	26,237
Depositor's share of profit	2,958	6,282
Staff costs recharged	126,863	87,686
Remuneration to key management personnel	37,496	21,600
Fee and other income	40,517	9,539

In accordance with the requirements of notice no. 226 / 2015 dated 26 August 2015 and issued by the UAE Central Bank, the Group has complied with article (91) of Union Law No. (10) of 1980.

27 Commitments and contingent liabilities

(a) Contingent liabilities

	2015 AED'000	2014 AED'000
Letters of credit	707,568	739,612
Guarantees	3,155,872	2,797,214
Undrawn credit commitments – Revocable	5,346,699	4,537,927
Undrawn credit commitments – Irrevocable	1,408,014	598,529
	10,618,153	8,673,282

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as financings. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Undrawn credit commitments represent unused portions of authorisations to extend credit in the form of financing, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss for an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers' maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest, since it results from the possibility of unused portions of finance authorisations being drawn by the customer and, second, from these drawings subsequently not being paid as due. The Group monitors the term to maturity of the credit commitments because longer term commitments generally have a greater degree of credit risk than the shorter term commitments. The total outstanding contractual amount of the commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(b) Capital commitments

At 31 December 2015, the Group has capital commitments of AED 6.1 million (2014: AED 10 million mainly relating to purchase of office units) mainly relating to purchase of furniture, fixtures, computer equipment and development/upgrading of software.

28 Segmental reporting

Reportable segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. The Group's reportable segments are organized into three major segments as follows:

- Personal and business banking – Principally serves individuals, high net worth customers and small sized businesses.
- Corporate banking – Principally handling financing/ trade facilities and deposit related services for medium and large sized corporate and institutional customers.
- Treasury and others – Treasury comprises of activities to manage the Bank's overall liquidity and market risk and provides treasury services to customers. Others comprise of functions other than above core lines of business.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment operating income represents the profit earned by each segment without allocation of expenses and impairment charge on Islamic financing instruments.

Year ended 31 December 2015	**Personal and business banking**	**Corporate banking**	**Treasury and others**	**Total**
	AED'000	AED'000	AED'000	AED'000
Net income from Islamic financing	376,506	406,565	104,587	887,658
Fee and other income	224,428	265,908	19,195	509,531
Total income	600,934	672,473	123,782	1,397,189
Total expenses				(638,289)
Operating profit before impairment on investments in Islamic financing instruments				758,900
Impairment charge on Islamic financing instruments				(198,069)
Profit for the year				560,831
As at 31 December 2015				
Segment assets	7,948,213	19,527,983	11,988,270	39,464,466
Segment liabilities	10,349,504	21,818,818	3,783,544	35,951,866

28 Segmental reporting (continued)

Year ended 31 December 2014	**Personal and business banking** AED'000	**Corporate banking** AED'000	**Treasury and others** AED'000	**Total** AED'000
Net income from Islamic financing	228,732	335,907	92,113	656,752
Fee and other income	92,660	205,211	58,048	355,919
Total income	321,392	541,118	150,161	1,012,671
Total expenses				(488,809)
Operating profit before impairment on investments in Islamic financing instruments				523,862
Impairment charge on Islamic financing instruments				(122,593)
Operating profit after impairment on investments in Islamic financing instruments				401,269
Reversal of impairment loss on land and buildings				276,816
Profit for the year				678,085
As at 31 December 2014				
Segment assets	5,311,676	14,970,831	8,730,448	29,012,955
Segment liabilities	6,025,076	17,830,066	1,884,588	25,739,730

29 Risk management

The Group takes financial risk under the following categories in its day to day operations:

- Credit risk
- Liquidity risk
- Market risks
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

29 Risk management (continued)

Risk management philosophy and framework

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the following committees, which are responsible for overseeing, developing and monitoring the Group`s risk management policies in their specified areas:

Executive Committee

The Executive Committee is responsible for ensuring that the Group has an adequate and appropriate system of risk management and internal controls with the support of the Audit Committee and Risk Committee.

Risk Committee

The Risk Committee is responsible for providing an oversight on the health of the Group's credit portfolio as well as for compliance with overall risk management policies and procedures established within the Group. The Risk Committee comprises of at least three members (including at least one non-executive director and one 'risk expert' as determined by the Board of Directors) and the Chief Risk Officer is a permanent invitee.

Audit Committee

The Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, compliance with laws and regulations, compliance with code of conduct and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

29 Risk management (continued)

Risk management philosophy and framework (continued)

Credit Committee

The Credit Committee is responsible for taking credit decisions, recommending credit policies, and the future direction of the credit activities in the Group. The Board of Directors has delegated its authority to Credit Committee to approve, sub-delegate, direct, monitor and review the Group's financing activities, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

Operational Risk Committee

The Operational Risk Committee is responsible for overseeing, managing and ensuring that all aspects of Operational Risk policies and standards are effectively implemented, and the framework to monitor and report Operational Risk issues is functioning effectively to protect the interests of the Group and promotes high level Operational Risk management culture in the Group.

Management Committee

The Management Committee is responsible for overseeing and managing day-to-day business to attain sustained performance excellence, by conscientiously taking into account the prevalent and future risk environment, consistent with the Group's vision, mission and strategy in accordance with good corporate governance principles, and in line with the significant stakeholders' expectations.

Asset Liability Committee ("ALCO")

The responsibility of ALCO is to actively monitor and manage committed and outstanding assets and liabilities, and to recommend appropriate funding, investment, and hedging strategies. In addition, the ALCO is also responsible for ensuring continuous liquidity required for growth while complying with the regulatory requirements.

29.1 Credit risk

Credit risk is the risk emanating when a counter party of the Group does not fulfil its contractual obligation or the quality of an issuer deteriorates. It arises principally from financing, trade finance and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by country, product, industry, and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification.

29 Risk management (continued)

29.1 Credit risk (continued)

The Group's total credit portfolio and therefore the maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	2015 AED'000	2014 AED'000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from banks	4,600,192	2,992,166
Investments in Islamic financing instruments	23,206,891	18,036,859
Investment in Islamic sukuk	2,441,873	2,881,263
Other assets (excluding prepayments & advances)	303,360	215,220
	30,552,316	24,125,508
Credit risk exposures relating to off-balance sheet items are as follows:		
Contingencies and commitments	5,271,454	4,135,355

The above table excludes revocable commitments and represents a worst case scenario of credit risk exposure of the Group at the reporting date without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position at the reporting date.

At 31 December 2015, 76% (2014: 75%) of the total maximum exposure arises from investments in Islamic financing instruments for which credit quality and risk concentration are disclosed in Note 6. Balances due from banks are held with reputable organisations within and outside UAE, where the risk of default is considered low.

The table below presents an analysis of the investment in Islamic sukuk based on ratings obtained from external rating agencies:

	2015 AED'000	2014 AED'000
AAA to AA-	509,984	283,923
A+ to BBB-	1,028,184	1,918,266
BB+ & below	226,807	153,793
Unrated	676,898	525,281
	2,441,873	2,881,263

The unrated investment in Islamic sukuk is mostly with the Government of Dubai and local reputed companies.

Following are the risk management policies adopted by the Group to ensure credit quality and minimise the risk of concentration.

29 Risk management (continued)

29.1 Credit risk (continued)

(a) Credit rating and measurement

The risk rating system is the basis for determining the credit risk of the Group's asset portfolio (except the consumer assets) and thus asset pricing, portfolio management, determining finance loss provisions and reserves and the basis for credit approval authority delegation. A standard numeric credit risk-grading system is being used by the Group which is based on the Group's internal estimate of probability of default, with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors.

Performing clients are rated on a scale of NRR1 to NRR7, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated NP-1, NP-2 and NP-3, corresponding to the Substandard, Doubtful and Loss classifications as per *Clarifications and Guidelines Manual for Circular No. 28/2012* issued by the UAE Central bank. The Group's internal credit grades have also been mapped to external agency ratings for better comparison (Refer Note 6).

(b) Credit approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Group's Credit Committee ("CC") within the authorities delegated by the Board of Directors.

(c) Credit monitoring

The Group regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Chief Risk Officer / Chief Credit Officer and Board Risk Committee, containing information on key variables; portfolio delinquency and financing impairment performance.

All Corporate exposures accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier. Group has robust policies for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorised as watch list or non-performing as per UAE Central Bank guidelines.

All non-performing accounts are monitored closely by the Remedial Management Unit of the Group directly reporting to the Chief Credit Officer. Such accounts are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exit of the account etc.

With respect to the Group's consumer portfolio, asset quality is monitored closely with 30/60/90/ days past due accounts and delinquency trends are monitored continuously for each Consumer Product of the Group. Individual customer behaviour is also tracked which forms an input for future financing decisions. Accounts which are past due are subject to collection process, managed independently by the risk function. Write-off and provisioning of the Consumer portfolio is done strictly as per the UAE Central Bank guidelines.

29 Risk management (continued)

29.1 Credit risk (continued)

(d) Credit mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit etc. Risk mitigation policies control the approval of collateral types.

Collateral is valued in accordance with the Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financings is maintained at fair value.

Collateral and other credit enhancements possessed or called upon

During the year, the Group obtained assets by taking possession of collateral as follows:

	31 December 2015			31 December 2014		
	Retail AED'000	Corporate and SME AED'000	Total AED'000	Retail AED'000	Corporate and SME AED'000	Total AED'000
Property	18,588	-	18,588	47,611	-	47,611
Vehicles	297	-	297	719	-	719
	18,885	-	18,885	48,330	-	48,330

Repossessed collateral is disposed of as per the Group's approved policy.

(e) Offsetting financial instruments

The Group has not entered in significant master netting arrangement with counterparties which enable them to settle transactions on net basis. In absence of such agreements the financial asset and liabilities are settled on gross basis.

29 Risk management (continued)

29.2 Liquidity risk

Liquidity risk is the risk to the Group's earnings or capital arising from its inability to meet its obligations as they fall due, without incurring significant costs or losses. A Group's ability to withstand either temporary or longer-term disruptions in its ability to fund some or all of its activities in a timely manner and at a reasonable cost depends on the adequacy of its liquidity contingency plans. The Group's Asset Liability Committee ("ALCO") actively monitors and manages all committed and outstanding assets and liabilities, to recommend appropriate funding, investment and hedging strategies. In addition to that, ALCO ensures adequate liquidity exists to sustain the growth while complying with regulatory requirements.

29 Risk management (continued)

29.2 Liquidity risk (continued)

(a) The following table presents the cash flow analysis of remaining contractual maturities of Group's financial liabilities on an undiscounted basis, relating to both principal and profit payments:

	Carrying amount AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	More than 5 years AED'000	Total AED'000
At 31 December 2015						
Customer deposits	32,148,741	21,837,248	8,121,662	2,314,943	-	32,273,853
Wakalah term deposits	544,192	-	30,423	121,692	665,882	817,997
Due to banks	376,860	340,427	37,021	-	-	377,448
Sukuk financing instruments	1,836,450	-	51,118	2,015,439	-	2,066,557
Other liabilities	1,028,572	996,542	-	-	32,030	1,028,572
	35,934,815	23,174,217	8,240,224	4,452,074	697,912	36,564,427
At 31 December 2014						
Customer deposits	23,850,955	13,958,179	8,018,677	2,020,858	-	23,997,714
Wakalah term deposits	544,192	-	30,423	121,692	696,306	848,421
Due to banks	542,223	485,332	57,100	-	-	542,432
Other liabilities	763,485	740,409	-	-	23,076	763,485
	25,700,855	15,183,920	8,106,200	2,142,550	719,382	26,152,052

As at 31 December 2015, a few of the Bank's customers accounted for a large proportion of the total customer deposits. At 31 December 2015, customer deposits due for maturity within 3 months include Escrow account balances and lien marked Qard-E-Hasan (demand) deposit balances which are expected to be retained for longer than 3 months. Remaining customer deposits, although contractually short term in nature, tend to be renewed on maturity and expected to remain with the Bank for a longer term.

29 Risk management (continued)

29.2 Liquidity risk (continued)

(b) Maturity profile of financial assets and financial liabilities

At 31 December 2015	Up to 3 months AED'000	3 – 12 months AED'000	1 – 5 years AED'000	More than 5 years AED'000	Total AED'000
Assets					
Cash and balances with the UAE Central Bank	6,346,119	1,100,000	-	-	7,446,119
Due from banks	2,357,962	2,242,230	-	-	4,600,192
Investments in Islamic financing instruments	6,625,110	3,470,798	7,514,997	5,595,986	23,206,891
Investments in Islamic sukuk	327,763	260,406	1,008,946	844,758	2,441,873
Other assets	274,830	-	-	28,530	303,360
Total	15,931,784	7,073,434	8,523,943	6,469,274	37,998,435
Liabilities					
Customer deposits	21,798,395	8,038,199	2,312,147	-	32,148,741
Wakalah term deposits	-	-	-	544,192	544,192
Due to banks	340,105	36,755	-	-	376,860
Sukuk financing instruments	-	-	1,836,450	-	1,836,450
Other liabilities	996,542	-	-	32,030	1,028,572
Total	23,135,042	8,074,954	4,148,597	576,222	35,934,815
Net liquidity gap	(7,203,258)	(1,001,520)	4,375,346	5,893,052	2,063,620
Cumulative gap	(7,203,258)	(8,204,778)	(3,829,432)	2,063,620	

29 Risk management (continued)

29.2 Liquidity risk (continued)

(b) Maturity profile of financial assets and financial liabilities (continued)

	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
At 31 December 2014	AED'000	AED'000	AED'000	AED'000	AED'000
Assets					
Cash and balances with the UAE Central Bank	2,891,684	500,000	-	-	3,391,684
Due from banks	2,196,139	743,377	52,650	-	2,992,166
Investments in Islamic financing instruments	4,082,553	3,208,127	6,466,152	4,280,027	18,036,859
Investments in Islamic sukuk	308,738	614,865	1,311,130	646,530	2,881,263
Other assets	186,690	-	-	28,530	215,220
Total	9,665,804	5,066,369	7,829,932	4,955,087	27,517,192
Liabilities					
Customer deposits	13,922,577	7,922,809	2,005,569	-	23,850,955
Wakalah term deposits	-	-	-	544,192	544,192
Due to banks	485,290	56,933	-	-	542,223
Other liabilities	740,409	-	-	23,076	763,485
Total	15,148,276	7,979,742	2,005,569	567,268	25,700,855
Net liquidity gap	(5,482,472)	(2,913,373)	5,824,363	4,387,819	1,816,337
Cumulative gap	(5,482,472)	(8,395,845)	(2,571,482)	1,816,337	-

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

29 Risk management (continued)

29.3 Market risk (continued)

Market risk is the potential impact of adverse price movements such as benchmark rates, foreign exchange prices and commodity prices on the earnings/economic value of an asset held by the Group. The exposure to market risk occurs throughout the contract which may negatively affect the earnings and capital of the Group. The market risk unit is responsible for monitoring and reporting this risk in the Group.

(a) Profit rate risk

The following table summarises the financial assets and liabilities of the Group, which are subject to profit rate risk, at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period:

At 31 December 2015	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-profit bearing	Total	Profit rate
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	%
Cash and balances with the UAE Central Bank	1,800,000	1,100,000	-	-	4,546,119	7,446,119	0.13
Due from banks	2,567,492	1,601,641	-	-	431,059	4,600,192	1.86
Investments in Islamic financing instruments	12,082,914	6,642,631	4,456,591	24,755	-	23,206,891	5.32
Investments in Islamic sukuk	327,763	260,406	1,028,010	825,694	-	2,441,873	3.90
	16,778,169	9,604,678	5,484,601	850,449	4,977,178	37,695,075	
Liabilities							
Customer deposits	17,603,498	6,577,177	200,930	-	7,767,136	32,148,741	0.87
Wakalah term deposits	-	-	-	544,192	-	544,192	5.51
Due to banks	111,717	36,731	-	-	228,412	376,860	0.22
Sukuk financing instruments	-	-	1,836,450	-	-	1,836,450	2.79
	17,715,215	6,613,908	2,037,380	544,192	7,995,548	34,906,243	
Net position on balance sheet	(937,046)	2,990,770	3,447,221	306,257	(3,018,370)	2,788,832	

29 Risk management (continued)

29.3 Market risk (continued)

(a) Profit rate risk (continued)

The impact of 1% change in profit rate's would impact AED 30 million (2014: AED 27 million) on the Group's consolidated income statement for the year ended 31 December 2015. The analysis is based on the assumptions that all other variables will remain constant and income simulation for 1 year forecast.

Similarly, an impact of 1% change in profit rate's would impact AED 25 million (2014: AED 36 million) on the Group's equity for the year ended 31 December 2015. The analysis is based on the assumptions that all other variables will remain constant for full maturity horizon.

At 31 December 2014	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-profit bearing	Total	Profit rate
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	%
Cash and balances with the UAE Central Bank	550,000	500,000	-	-	2,341,684	3,391,684	0.19
Due from banks	1,634,307	633,185	52,650	-	672,024	2,992,166	1.87
Investments in Islamic financing instruments	9,915,833	5,707,315	2,194,932	218,779	-	18,036,859	4.64
Investments in Islamic sukuk	418,916	621,432	1,213,114	627,801	-	2,881,263	3.94
	12,519,056	7,461,932	3,460,696	846,580	3,013,708	27,301,972	
Liabilities							
Customer deposits	11,412,590	7,275,399	245,467	-	4,917,499	23,850,955	1.10
Wakalah term deposits	-	-	-	544,192	-	544,192	5.51
Due to banks	183,652	56,933	-	-	301,638	542,223	0.27
	11,596,242	7,332,332	245,467	544,192	5,219,137	24,937,370	
Net position on balance sheet	922,814	129,600	3,215,229	302,388	(2,205,429)	2,364,602	

29 Risk management (continued)

29.3 Market risk (continued)

(b) Foreign currency risk

Foreign currency risk represents the risk of change in the fair value of Islamic financing instruments due to changes in foreign exchange rates. The Bank manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows through setting limits on the level of exposure by currency. At the end of the year, the Bank had the following significant net foreign currency exposures:

	Balances in Foreign Currency					Balances in local	
	US$	QAR	EUR	Others	Sub-total	currency	Total
At 31 December 2015	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets							
Cash and balances with the UAE Central Bank	736,997	-	-	-	736,997	6,709,122	7,446,119
Due from banks	3,319,445	6,245	63,277	79,339	3,468,306	1,131,886	4,600,192
Investments in Islamic financing instruments	3,759,452	-	22,814	282,511	4,064,777	19,142,114	23,206,891
Investments in Islamic sukuk	2,399,698	-	-	-	2,399,698	42,175	2,441,873
Other assets	66,429	-	3,368	5078	74,875	228,485	303,360
	10,282,021	6,245	89,459	366,928	10,744,653	27,253,782	37,998,435
Liabilities							
Customer deposits	3,893,792	-	1,661,048	348,149	5,902,989	26,245,752	32,148,741
Wakalah term deposits	110,192	-	-	-	110,192	434,000	544,192
Due to banks	188,733	-	-	5,209	193,942	182,918	376,860
Sukuk financing instruments	1,836,450	-	-	-	1,836,450	-	1,836,450
Other liabilities	40,725	-	33,670	1,831	76,226	952,346	1,028,572
	6,069,892	-	1,694,718	355,189	8,119,799	27,815,016	35,934,815
Net on-balance sheet foreign currency exposure	4,212,129	6,245	(1,605,259)	11,739	2,624,854		
Net FX position on account of FX contracts	(3,306,184)	427,238	1,624,415	52,486	(1,202,044)		
Net FX open position	905,945	433,483	19,156	64,225	1,422,810		

29 Risk management (continued)

29.3 Market risk (continued)

(b) Foreign currency risk (continued)

The impact of an 1% increase/decrease in the foreign exchange rates of the Bank's net on-balance sheet items is AED 2.17 million on the Group's consolidated income statement for the year ended 31 December 2015 (2014: AED 1.9 million). The analysis is based on the assumptions that all other factors will remain constant.

	Balances in Foreign Currency					Balances in local	
	US$	QAR	EUR	Others	Sub-total	currency	Total
At 31 December 2014	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets							
Cash and balances with the UAE Central Bank	275,236	-	-	-	275,236	3,116,448	3,391,684
Due from banks	1,322,094	467,183	59,208	75,666	1,924,151	1,068,015	2,992,166
Investments in Islamic financing instruments	2,482,763	-	13,622	305,434	2,801,819	15,235,040	18,036,859
Investments in Islamic sukuk	2,867,877	-	-	-	2,867,877	13,386	2,881,263
Other assets	50,655	255	687	6,072	57,669	157,551	215,220
	6,998,625	467,438	73,517	387,172	7,926,752	19,590,440	27,517,192
Liabilities							
Customer deposits	1,984,812	-	790,084	141,216	2,916,112	20,934,843	23,850,955
Wakalah term deposits	110,192	-	-	-	110,192	434,000	544,192
Due to banks	245,409	-	-	-	245,409	296,814	542,223
Other liabilities	37,450	-	210	-	37,660	725,825	763,485
	2,377,863	-	790,294	141,216	3,309,373	22,391,482	25,700,855
Net on-balance sheet foreign currency exposure	4,620,762	467,438	(716,777)	245,956	4,617,379		
Net FX position on account of FX contracts	(3,733,126)	-	780,441	(172,990)	(3,125,675)		
Net FX open position	887,636	467,438	63,664	72,966	1,491,704		

29 Risk management (continued)

29.3 Market risk (continued)

(c) Price risk

The Bank is exposed to price risk arising from publicly traded investments in Islamic sukuk.

A present value one basis point (PVBP) increase/decrease in the prices will have an impact of AED 1.0 million on the Group's investment portfolio for the year ended 31 December 2015 (2014: AED 0.95 million). The analysis is based on the assumptions that all other variables will remain constant.

29.4 Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in an active market for identical financial instruments.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

29 Risk management (continued)

29.4 Fair value hierarchy (continued)

The financial instruments and non-financial assets measured at fair value as per the hierarchy are disclosed in the table below:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
As at 31 December 2015			
Financial assets at fair value			
Investments in Islamic sukuk			
- Classified as AFS	1,598,895	-	-
- Classified as Held for Trading	78,782	-	-
Promise to buy or sell currency	-	19,883	-
	1,677,677	19,883	-
Financial liabilities			
Promise to buy or sell currency	-	8,010	-
As at 31 December 2014			
Financial assets at fair value			
Investments in Islamic sukuk			
- Classified as AFS	1,853,507	-	-
- Classified as Held for Trading	292,807	-	-
Promise to buy or sell currency	-	2,032	-
	2,146,314	2,032	-
Financial liabilities			
Promise to buy or sell currency	-	11,987	-

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
As at 31 December 2015			
Non-financial assets at fair value			
Investment properties	-	1,231,715	-
Buildings	-	141,605	-
	-	1,373,320	-
As at 31 December 2014			
Non-financial assets at fair value			
Investment properties	-	1,266,567	-
Land and buildings	-	149,939	-
	-	1,416,506	-

29 Risk management (continued)

29.4 Fair value hierarchy (continued)

The different levels for fair values of non-financial assets have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For investment properties and land and buildings, the fair values have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 31 December 2015, the carrying value of the Group's other assets and liabilities measured at amortised cost, approximate their fair values. There have been no transfers of financial assets and non-financial assets between level 1 and Level 2 during the years ended 31 December 2015 or 2014.

29.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed processes, technology and infrastructure within the Group, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory compliance requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation, assets and personnel with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;

29 Risk management (continued)

29.5 Operational risk (continued)

- training and professional development of employees for operational risk awareness;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Group's operational risk standards is supported by a programme of periodic reviews undertaken by Internal Audit and a dedicated Operational Risk Team. The results of their reviews are discussed with the management of the business unit to which they relate and senior management of the Group.

29.6 Capital management and capital adequacy as per Basel II requirement

The Group manages its capital considering both regulatory and economic capital. The Group calculates its risk asset ratio in accordance with requirements and guidelines established by the UAE Central Bank prescribing the ratio of total capital to total risk-weighted assets which is currently set at a minimum of 12% (2014: 12%). This is in line with the assessment and reporting of capital adequacy ratio in accordance with the Basel II Accord as follows:

	2015 AED'000	2014 AED'000
Tier I Capital		
Share capital	3,357,895	3,307,895
Legal reserves	213,000	156,917
Accumulated losses	(177,295)	(349,535)
Less: Other equity investments	(13,500)	(12,500)
	3,380,100	3,102,777
Tier II Capital		
Subordinated term investment (Note 12)	544,192	544,192
General provision	322,309	245,334
Asset revaluation reserve	(5,650)	(19,984)
Less: Other equity investments	(13,500)	(12,500)
	847,351	757,042
Deductions from Tier I & Tier II Capital		
Investment in other equity investments (Note 9)	-	-
Total regulatory capital	4,227,451	3,859,819
Risk weighted assets		
Credit risk	25,784,753	19,672,421
Market risk	137,656	277,666
Operational risk	1,901,516	1,373,236
Risk weighted assets	27,823,925	21,323,323
Capital adequacy ratio on regulatory capital	15.19%	18.10%
Risk asset ratio on Tier I capital	12.15%	14.55%

29 Risk management (continued)

29.6 Capital management and capital adequacy as per Basel II requirement (continued)

Asset classes in 2015			Credit risk mitigation (CRM)			
	On balance sheet gross outstanding AED'000	Off balance sheet exposure AED'000	Exposure before CRM (net off specific provision and profit in suspense) AED'000	CRM AED'000	Net exposure after CRM, CCF and Other adjustments AED'000	Risk weighted assets AED'000
Claims on sovereigns	8,637,862	-	8,637,862	(183,655)	8,637,862	489,494
Claims on non-central government public sector entities	178,242	-	178,242	-	178,242	20,956
Claims on banks	5,477,337	255,681	5,733,018	(258,694)	5,687,689	2,894,383
Claims on securities firms	-	-	-	-	-	-
Claims on corporates	15,264,020	9,723,365	24,137,402	(2,550,488)	17,685,711	15,140,572
Claims included in the regulatory retail portfolio	3,879,641	429,083	4,308,724	(141,098)	3,879,641	2,876,375
Claims secured by residential property	3,782,195	357,040	4,139,235	-	3,905,584	1,709,932
Claims secured by commercial real estate	606,914	-	606,914	-	606,914	606,914
Past due financing	1,154,233	15,716	1,169,949	-	312,108	324,969
Other assets	2,060,471	-	1,940,319	-	1,940,319	1,721,158
	41,040,915	10,780,885	50,851,665	(3,133,935)	42,834,070	25,784,753

The total collateral held by the Group as CRM includes AED 2.7 billion as cash collateral (2014: AED 3.1 billion as cash collateral).

29 Risk management (continued)

29.6 Capital management and capital adequacy as per Basel II requirement (continued)

Asset classes in 2014			Credit risk mitigation (CRM)			
	On balance sheet gross outstanding AED'000	Off balance sheet exposure AED'000	Exposure before CRM (net off specific provision and profit in suspense) AED'000	CRM AED'000	Net exposure after CRM, CCF and Other adjustments AED'000	Risk weighted assets AED'000
Claims on sovereigns	4,218,086	-	4,218,086	-	4,218,086	389,375
Claims on non-central government public sector entities	77,734	-	77,734	-	77,734	855
Claims on banks	4,124,664	214,981	4,339,645	(123,429)	4,297,781	1,615,716
Claims on securities firms	-	-	-	-	-	-
Claims on corporates	13,188,019	3,919,563	17,107,582	(2,990,755)	15,164,511	12,323,934
Claims included in the regulatory retail portfolio	2,653,969	-	2,653,969	(223,544)	2,653,969	1,869,835
Claims secured by residential property	2,529,909	110,211	2,640,120	-	2,573,751	1,154,437
Claims secured by commercial real estate	319,449	-	319,449	-	319,449	319,449
Past due financing	1,479,476	19,853	340,295	-	330,368	362,917
Other assets	2,201,278	-	2,053,177	-	2,053,177	1,635,903
	30,792,584	4,264,608	33,750,057	(3,337,728)	31,688,826	19,672,421

29 Risk management (continued)

29.6 Capital management and capital adequacy as per Basel II requirement (continued)

The capital requirement for market risk under the standardised approach is as follows:

	2015		2014	
	Risk weighted assets AED'000	Capital charge AED'000	Risk weighted assets AED'000	Capital charge AED'000
Profit rate risk	73,955	8,875	207,877	24,945
Foreign exchange risk	63,700	7,644	69,789	8,375
	137,655	16,519	277,666	33,320

Capital charge for year ended 31 December 2015 has been calculated at 12% (2014: 12%).

30 Subsequent events

Subsequent to 31 December 2015, a beneficial shareholder of the Bank has provided an unconditional commitment to subscribe for up to AED 450 million of new shares to be issued by the Bank at par value. Accordingly, the share capital of the Bank will increase by the amount of the new shares that are issued, subject to all applicable shareholder and regulatory approvals.

NOOR BANK

Noor Bank P.J.S.C.
(Formerly Noor Islamic Bank P.J.S.C.)

Directors' report and financial statements for the year ended 31 December 2014

Directors' report and financial statements for the year ended 31 December 2014

Directors' report for the year ended 31 December 2014

The Board of Directors are pleased to submit their report on the activities of Noor Bank P.J.S.C. ("the Bank") together with the audited financial statements for the year ended 31 December 2014.

Principal activities

The principal activities of the Bank are carrying out banking, financing and investing activities through various Islamic financing instruments such as Murabahah, Wakalah, Tawarruq, Istisna, Islamic sukuk and Ijarah. The activities of the Bank are conducted in accordance with the Islamic Shari'a principles and in compliance with the provisions of the Memorandum and Articles of Association of the Bank.

Results

The statement of financial position of the Bank as at 31 December 2014, together with its income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended are set out in the accompanying financial statements.

Dividends

The Board of Directors have proposed cash dividends of 10% for the year ended 31 December 2014.

Composition of the Board of Directors

The Board of Directors of the Bank comprised of the following individuals during the year ended 31 December 2014:

H.H. Sheikh Ahmed bin Mohammad bin Rashid Al Maktoum (Chairman)
H.E. Lt. Gen. Musabbeh Rashid Musabbeh Al Fattan (Vice Chairman)
H.E. Abdullah Bin Mohammed Ghobash
Mr. Sultan Ahmad Sultan bin Sulayem
Mr. Mohamed Alabbar
Mr. Essa Abdulfattah Kazim Al Mulla
Mr. Soud Ahmad Abdulrahman Ba'alawy
Mr. Abdulla Ahmed Mohamed Al Habbai
Mr. Hussain Ahmad Dhaen Al Qemzi

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors on 23 February 2015

……………………… ………………………
Director Director

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Noor Bank, P.O. Box no.8822, Dubai, United Arab Emirates T: +971 4 4268888
8006667
noorbank.com

Independent auditors' report to the shareholders of Noor Bank P.J.S.C.

Report on the financial statements

We have audited the accompanying financial statements of Noor Bank P.J.S.C. ("the Bank"), which comprise the statement of financial position as at 31 December 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the shareholders of Noor Bank P.J.S.C. (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No (8) of 1984, as amended, we report that:

a) we have obtained all the information we considered necessary for the purpose of our audit;

b) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, and the Articles of Association of the Bank;

c) the Bank has maintained proper books of account and the financial statements are in agreement therewith;

d) the financial information included in the Directors' report is consistent with the books of account of the Bank; and

e) nothing has come to our attention, which causes us to believe that the Bank has breached any of the applicable provisions of the UAE Federal Law No (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2014.

Further, as required by the UAE Union Law No (10) of 1980, as amended, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
23 February 2015

Amin H Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

Statement of financial position

As at 31 December 2014

	Note	2014 AED'000	2013 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	4	3,391,684	3,491,896
Due from banks	5	2,992,166	2,340,657
Investments in Islamic financing instruments	6	18,036,859	14,345,215
Investments in Islamic sukuk	7	2,881,263	1,811,289
Investment properties	8	1,266,567	213,800
Other assets	9	227,839	179,735
Property and equipment	10	216,577	768,899
Total assets		29,012,955	23,151,491
LIABILITIES AND EQUITY			
Liabilities			
Customer deposits	11	23,850,955	18,663,581
Wakalah term deposits	12	544,192	770,921
Due to banks	13	542,223	853,218
Other liabilities	14	802,360	420,517
Total liabilities		25,739,730	20,708,237
Equity			
Share capital	15	3,307,895	3,307,895
Subscribed share capital	15	50,000	-
Statutory reserve	16	156,917	89,108
Revaluation surplus on land and buildings	10	127,932	7,587
Cumulative changes in fair value of available-for-sale Islamic sukuk		(19,984)	(1,525)
Accumulated losses		(349,535)	(959,811)
Total equity		3,273,225	2,443,254
Total liabilities and equity		29,012,955	23,151,491

These financial statements were approved by the Board of Directors on 23 February 2015 and signed on its behalf by:

………… Director

………… Director

Income statement
for the year ended 31 December 2014

	Note	2014 AED'000	2013 AED'000
Operating Income			
Income from Islamic financing and sukuk	17	895,165	678,686
Depositors' share of profit	18	(238,413)	(270,930)
Net income from Islamic financing		656,752	407,756
Fee and other income, net of charges	19	296,573	211,646
Gain on investments in Islamic sukuk	20	30,990	7,311
Change in fair value of investment properties	8	28,356	5,852
Total operating income		1,012,671	632,565
Operating Expenses			
Staff costs	21	(340,007)	(234,978)
General and administration expenses	22	(127,270)	(129,391)
Depreciation	10	(21,532)	(23,895)
Total operating expenses		(488,809)	(388,264)
Operating profit before impairment on investment in Islamic financing instruments		523,862	244,301
Impairment charge on Islamic financing instruments	6	(122,593)	(43,850)
Operating profit after impairment on investment in Islamic financing instruments		401,269	200,451
Reversal of impairment loss on land and buildings	10	276,816	54,972
Profit for the year		678,085	255,423

Statement of comprehensive income
for the year ended 31 December 2014

	Note	2014 AED'000	2013 AED'000
Profit for the year		678,085	255,423
Other comprehensive income			
Items that will not be reclassified to income statement			
- Gain on revaluation of land and buildings	*10*	120,345	7,587
Items that may be subsequently reclassified to income statement			
Fair value reserve on available-for-sale Islamic sukuk			
- Net changes in fair value	*7*	2,316	(1,840)
- Net realised gain transferred to income statement	*20*	(20,775)	(1,354)
Total other comprehensive income		101,886	4,393
Total comprehensive income for the year		779,971	259,816

Statement of changes in equity
for the year ended 31 December 2014

	Share capital	Subscribed share capital	Statutory reserve	Revaluation surplus on land & buildings	Cumulative changes in fair value of available-for- sale investment in Islamic sukuk	Accumulated losses	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2013	3,157,895	150,000	63,566	-	1,669	(1,189,692)	2,183,438
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	255,423	255,423
Revaluation of land and buildings (Note 10)	-	-	-	7,587	-	-	7,587
Net changes in fair value	-	-	-	-	(1,840)	-	(1,840)
Net realised gain transferred to income statement on disposal of available-for-sale investments in Islamic sukuk	-	-	-	-	(1,354)	-	(1,354)
	-	-	-	7,587	(3,194)	255,423	259,816
Other equity movements							
Shares capital issued (Note 15 (ii))	150,000	(150,000)	-	-	-	-	-
Transfer to statutory reserve (Note 16)	-	-	25,542	-	-	(25,542)	-
At 31 December 2013	3,307,895	-	89,108	7,587	(1,525)	(959,811)	2,443,254
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	678,085	678,085
Revaluation of land and buildings (Note 10)	-	-	-	120,345	-	-	120,345
Net changes in fair value	-	-	-	-	2,316	-	2,316
Net realised gain transferred to income statement on disposal of available-for-sale investments in Islamic sukuk	-	-	-	-	(20,775)	-	(20,775)
	-	-	-	120,345	(18,459)	678,085	779,971
Other equity movements							
Shares subscribed received (Note 15)	-	50,000	-	-	-	-	50,000
Transfer to statutory reserve (Note 16)	-	-	67,809	-	-	(67,809)	-
At 31 December 2014	3,307,895	50,000	156,917	127,932	(19,984)	(349,535)	3,273,225

Statement of cash flows

for the year ended 31 December 2014

	Note	2014 AED'000	2013 AED'000
Operating activities			
Profit for the year		678,085	255,423
Adjustments for:			
Impairment loss on Islamic financing instruments	6	122,593	43,850
Change in fair value of investment properties	8	(28,356)	(5,852)
Reversal of impairment loss on property	10	(276,816)	(54,972)
Property and equipment disposed/written off	10	-	8
Amortisation of premium on Held to Maturity sukuk		2,887	1,869
Gain on investments in Islamic sukuk		(30,990)	(7,311)
Depreciation of property and equipment	10	21,532	23,895
Operating cash flows before changes in operating assets and liabilities		488,935	256,910
Changes in operating assets and liabilities:			
Statutory reserve with the UAE Central Bank	4	(778,318)	(329,494)
Due from banks	4,5	137,633	(898,329)
Investments in Islamic financing instruments	6	(3,868,982)	(3,636,151)
Net proceeds from disposal of investments in Islamic sukuk – Held for trading		(68,981)	(24,299)
Other assets	9	(46,104)	(6,054)
Customer deposits	11	5,187,374	4,611,390
Due to banks	4,13	(395,945)	(122,306)
Other liabilities	14	381,843	97,922
Net cash generated from operating activities		1,037,455	(50,411)
Investing activities			
Purchase of Islamic sukuk - Available for sale investments		(9,234,437)	(6,308,222)
Proceeds from Islamic sukuk - Available for sale investments		8,653,820	5,895,441
Purchase of Islamic sukuk – Held to maturity		(555,814)	(181,189)
Maturity proceeds from Islamic sukuk - Held to maturity		145,082	525,511
Investments in certificate of deposits	4	(500,000)	100,000
Additional investment in other equity investments	9	(2,000)	-
Additions to property and equipment	10	(41,715)	(16,951)
Net cash generated from investing activities		(1,535,064)	14,590
Financing activity			
Subscription received towards subscribed share capital	14	50,000	-
Tier II Wakalah deposit repaid		(770,921)	-
Tier II Wakalah deposit received		544,192	-
		(176,729)	
Net increase in cash and cash equivalents		(674,338)	(35,821)
Cash and cash equivalents at beginning of the year		2,857,003	2,892,824
Cash and cash equivalents at end of the year	4	2,182,665	2,857,003

1 Incorporation and principal activities

Noor Bank P.J.S.C. ("the Bank") was incorporated on 26 March 2007 as a Public Joint Stock Company under UAE Federal Law No. 8 of 1984 (as amended) and is regulated by the Central Bank of the United Arab Emirates ("UAE"). Effective 3 September 2014, the Bank has changed its name from "Noor Islamic Bank P.J.S.C" to "Noor Bank P.J.S.C''. The Bank has its registered office at Emaar Square, Building No. 1, Sheikh Zayed Road, P.O. Box 8822, Dubai, UAE. The Bank was registered with the Securities and Commodities Authority ("SCA") on 26 April 2007 and commenced its operations thereafter.

The principal activities of the Bank are carrying out banking, financing and investing activities through various Islamic instruments such as Murabahah, Wakalah, Tawarruq, Ijarah, Istisna' and Islamic sukuk. The activities of the Bank are conducted in accordance with the Shari'a rules and principles as applied and interpreted by the Bank's Fatwa and Shari'a Supervisory Board and in compliance with the provisions of the Memorandum and Articles of Association of the Bank.

Noor Investment Group LLC ("NIG"), the parent company, holds 91% of the shareholding in the Bank.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board (IASB).

2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis, except for the fair value measurement of following items in the statement of financial position:

- Financial assets and liabilities held for trading.
- Investments in Islamic sukuk classified as available-for-sale and fair value through income statement.
- Investment properties.
- Land and buildings classified under property and equipment.

2.3 Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Bank's functional currency. Except as indicated, the financial information has been rounded to the nearest thousand.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described as follows:

(a) Impairment of investments in Islamic financing instruments

The Bank reviews its financing portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recognised, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence also may include observable data indicating that there has been an adverse change in the collections from customers in a group. Management uses estimates based on historical loss experience for financing with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Classification of investments in Islamic sukuk as Held-to-Maturity ("HTM")

In accordance with IAS 39 guidance, the Bank classifies its investments in Islamic sukuk with fixed or determinable payments and fixed maturities as HTM which requires significant judgment in evaluating Bank's intention and ability to hold such investments until maturity. Except for certain specific circumstances, any sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments as available-for-sale, and would prevent the Bank from classifying investment in Islamic sukuk as HTM for the current and the following two financial years.

(c) Fair valuation of investment properties and land and buildings under property and equipment

The fair valuation of investment properties and buildings and certain plots of land classified under property and equipment is based on estimated value as determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). The fair valuation of remaining plots of land is determined by the Dubai Land Department. In undertaking the valuation the valuation experts have made a number of assumptions and relied upon various sources of information. Management reviews the assumptions based on their reasonable knowledge and other information available about the property.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

(d) Estimated useful life and residual value of property and equipment

The Bank's management determines the estimated useful lives and related depreciation charges for its property and equipment at least on an annual basis. The Bank carries out a review of the useful lives of property, plant and equipment at the reporting date and makes necessary changes to the useful life of the property and equipment, if required. Residual value in case of all property and equipment are assumed to be "AED 1".

(a) New standards, amendments to published standards and interpretations effective for the Bank's accounting period beginning on 1 January 2014

New standards and significant amendments to standards	Effective date
Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interest in other entities' and IAS 27, 'Separate financial statements' on consolidation for investment entities The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. These amendments mean that many investment funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make.	1 January 2014
Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.	1 January 2014
Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal, including the discount rate used if the recoverable amount is determined using a present value technique.	1 January 2014
Amendment to IAS 39, 'Financial instruments: recognition and measurement' on novation of derivatives This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.	1 January 2014

There is no material impact of these amendments to published standards or IFRIC interpretations on the financial statements of the Bank.

2 Basis of preparation (continued)

(b) New standards and amendments to published standards issued but not effective for the financial year beginning 1 January 2014 and not early adopted by the Bank

New standards and significant amendments to standards	Effective date
Annual improvements 2012 These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to: ■ IFRS 8, 'Operating segments' which is amended to require disclosure of the judgements made by management in applying the aggregation criteria to operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. ■ IFRS 13, 'Fair value measurement' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables on an undiscounted basis where the effect of discounting is immaterial. ■ IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. ■ IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.	1 July 2014
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation. This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances.	1 January 2016
Amendments to IFRS 10 and IAS 28, 'Investments in associates and joint ventures' regarding the sale or contribution of assets between an investor and its associate or joint venture These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.	1 January 2016

2 Basis of preparation (continued)

(b) New standards and amendments to published standards issued but not effective for the financial year beginning 1 January 2014 and not early adopted by the Bank (continued)

New standards and significant amendments to standards	Effective date
Annual improvements 2014 These annual improvements amend standards from the 2012 - 2014 reporting cycle. It includes changes to: ■ IFRS 7, 'Financial instruments: Disclosures' – The amendment related to servicing contracts requires that if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. ■ IAS 19, 'Employee benefits' – The amendment clarifies, when determining the discount rate for post-employment benefit obligations, that it is the currency that the liabilities are denominated in that is important, not the country where they arise.	1 July 2016
IFRS 15, 'Revenue from contracts with customers' This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2017

2 Basis of preparation (continued)

(b) New standards and amendments to published standards issued but not effective for the financial year beginning 1 January 2014 and not early adopted by the Bank (continued)

New standards and significant amendments to standards	Effective date
IFRS 9, 'Financial instruments' The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	1 January 2018 Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date of initial application before 1 February 2015 continue to have the option to apply the standard in phases.

The Bank is in the process of assessing the impact of the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Bank's financial year beginning on 1 January 2014.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Bank's financial year beginning on 1 January 2014 that would be expected to have a material impact on the financial statements of the Bank.

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements:

3.1 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, as part of 'foreign exchange and other income' under "fee and other income, net of charges".

3.2 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, balances held with the UAE Central Bank, deposits and balance due from banks or due to banks and placements with original maturity of less than three months, excluding statutory deposits required to be maintained with the UAE Central Bank.

3.3 Due from banks

Amounts due from banks are initially recognised at fair value and subsequently measured at amortised cost less any amounts written off and provision for impairment, if any. Impairment of amounts due from banks is assessed as outlined in the accounting policy of impairment of financial assets (Note 3.8).

3.4 Investments in Islamic financing instruments

Investments in Islamic financing instruments are non-derivative financial assets originated or acquired by the Bank with fixed or determinable payments that are not quoted in an active market.

Investments in Islamic financing instruments are initially measured at fair value including transaction costs associated with the investments in Islamic financing instruments, if any, as soon as the customer is bound by the financing agreement to drawdown the financing amount.

Investments in Islamic financing instruments are subsequently measured at amortised cost using the effective profit rate method.

Following the initial recognition, subsequent transfers between the various classes of investments in Islamic financing instruments is not ordinarily permissible.

3 Significant accounting policies (continued)

3.5 Investments in Islamic sukuk

3.5.1 Classification

The Bank classifies its investments in Islamic sukuk in the following categories: Held-to-Maturity ("HTM") investments in Islamic sukuk, Available-For-Sale ("AFS") investment in Islamic sukuk and financial assets at fair value through income statement ("FVTPL"). Management determines the classification of its investments at initial recognition.

Held-to-maturity

Investments in Islamic sukuk at HTM are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount from the HTM category, the entire category would be reclassified as AFS.

Available-for-sale

Investments in Islamic sukuk at AFS are those non-derivative financial assets that are designated as AFS or are not classified as (a) investments in Islamic financing instruments, (b) HTM investments or (c) financial assets at fair value through income statement.

Financial assets and financial liabilities at fair value through the income statement

Investments in Islamic sukuk at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

3.5.2 Recognition and measurement

Regular-way purchases and sales are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset. Investments in Islamic sukuk are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement. Financial assets carried at fair value through income statement are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments in Islamic sukuk have expired or have been transferred and the Bank has transferred substantially all risk and rewards of ownership. AFS and FVTPL financial assets are subsequently measured at fair value. HTM financial assets are subsequently carried at amortized cost using the effective profit rate method. Impairment on investments in Islamic sukuk classified as HTM is assessed as outlined in the accounting policy of impairment of financial assets.

Gains and losses arising from changes in the fair value of AFS financial assets are recognised in other comprehensive income, until the investments in Islamic sukuk is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity through other comprehensive income is recognized in the income statement.

3 Significant accounting policies (continued)

3.5 Investments in Islamic sukuk (continued)

3.5.2 Recognition and measurement (continued)

Foreign currency gains and losses arising on AFS monetary financial assets are directly recognised in the income statement.

Gains or losses arising from changes in the fair value of the FVTPL category are presented in the income statement within gain on investments in Islamic sukuk in the period in which they arise.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between the carrying values and fair value estimates of financial assets and liabilities. The fair values of quoted investments in active markets are based on current bid prices, as the Bank considers the bid to be most representative of fair value. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. In rare cases when the fair value of unlisted securities cannot be determined reliably, the securities are carried at cost less impairment.

Profit earned whilst holding investments in Islamic sukuk is reported as part of income from Islamic financing and sukuk in the income statement.

The Bank assesses at each reporting date whether there is objective evidence that an investments in Islamic sukuk are impaired. In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset are impaired. If any such evidence exists for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement if there are subsequent increases in fair value. If, in a subsequent period, the fair value of a sukuk instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment is reversed through the income statement.

3.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation except for land and buildings, which are carried at fair value based on periodic valuations by an external independent valuer, less subsequent depreciation on buildings.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3 Significant accounting policies (continued)

3.6 Property and equipment (continued)

Increases in the carrying amount arising on revaluation of land and buildings are recognised in the statement of other comprehensive income. Increases that offset previous decreases of the same asset are recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in the statement of other comprehensive income; all other decreases are charged to the income statement. Each year, the difference between the depreciation charge based on the revalued carrying amount of the asset and depreciation charge based on the asset's original cost or previous revalued amount is transferred from the revaluation reserve to retained earnings.

Land is not depreciated but is tested for impairment (Note 3.9). Depreciation on other fixed assets is calculated on the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

	Years
Buildings	25
Leasehold improvements	10
Furniture, fittings and equipment	5
Vehicles	5
Computer equipment and software	3-5

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Capital work in progress is stated at cost incurred from the date of commencement of the project to the date on which it is commissioned. When commissioned, capital work in progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Bank's accounting policies.

3.7 Investment property

Investment property comprises property held for rental yields and for capital appreciation. It is not held for purposes of the Bank's own use as part of property and equipment. Investment property is initially recognized at cost, including transaction expenses. Subsequent to initial recognition, investment property is carried at fair value.

Fair value of the investment property is determined on the basis of valuation undertaken by an independent valuer who holds a recognized and relevant qualification and has recent experience in the location and category of the investment property being valued. Gains and losses arising from changes in the fair value are recognized in the income statement in the period in which they arise.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income in equity as a revaluation of property and equipment under IAS 16. If a fair value gain reverses a previous revaluation loss, the gain is recognised in the income statement.

3 Significant accounting policies (continued)

3.8 Impairment of investment in Islamic financing instruments

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If an Islamic financing instrument has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of Islamic financing instruments that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

3 Significant accounting policies (continued)

3.8 Impairment of investment in Islamic financing instruments (continued)

When a financial asset is uncollectable, it is written off against the related provision for impairment. If no related provision exists, it is written off to the income statement. Subsequent recoveries are credited to the income statement. If the amount of impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited to the income statement.

When the terms and conditions of financial assets that have been classified as past due are renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether the financial asset remains past due.

3.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed for possible reversal of impairment at each reporting date.

3.10 Fiduciary activities

Assets and the income arising on the Bank's fiduciary activities, where it acts in a fiduciary capacity such as nominee, trustee or agent, are excluded from these financial statements. Income earned by the Bank from its fiduciary services is recognised in accordance with the accounting policy on fees and other income (Note 3.15).

3.11 Customer deposits and amounts due to banks

Customer deposits and amounts due to banks are initially recognized at fair value less transaction costs. Subsequently, they are measured at amortized cost using the effective profit rate method. Amortized cost is calculated by taking into account any discount or premium on settlement.

3 Significant accounting policies (continued)

3.12 Employee benefits

i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security.

ii) Defined benefit plan

The provision for defined benefit obligation for the end of service benefits due to non-UAE nationals in accordance with the UAE Labour Law is calculated annually using the projected unit credit method in accordance with IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The provision arising is disclosed as 'provision for employee's end of service benefits' in the statement of financial position under 'other liabilities'.

3.13 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3.14 Revenue recognition on investments in Islamic financing instruments

Income from Islamic financing and sukuk and Depositors' share of profit are recognized in the income statement for all profit-bearing Islamic financing instruments below using the effective profit rate method.

The effective profit rate method is a method of calculating the amortised cost of a financing asset or liability and of allocating the income from Islamic financing and sukuk and depositors' share of profit. The effective profit rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financing asset or liability.

3 Significant accounting policies (continued)

3.14 Revenue recognition on investments in Islamic financing instruments (continued)

3.14.1 Murabahah

Definition

An agreement whereby the Bank sells to a customer a physical asset, commodity, goods, or shares, which the Bank has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin. The settlement specified in the agreement is normally either on deferred lump sum basis or an instalment basis.

Revenue recognition

Income on Murabahah financing is recognized on a time apportioned basis over the period of the Murabahah contract, using the effective profit rate method.

3.14.2 Ijarah

Definition

An agreement whereby the Bank (lessor) leases to a customer (lessee) a service or the usufruct of an owned or rented physical asset which either exists currently or is to be constructed in future (forward lease), for a specific period of time and against certain rental instalments. The Ijarah could end by transferring the ownership of the asset to the lessee through an independent mode at the end of the agreement.

Revenue recognition

Income from Ijarah investments are recognized on a time apportioned basis over the lease term, using the effective profit rate method.

3.14.3 Mudarabah

Definition

An agreement between the Bank and its customer where one of them provides the funds and is called Rab al-Mal and the other provides efforts and expertise and is called the Mudarib. The Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudarabah profit. The Mudarib is responsible for all losses arising from misconduct, negligence or violation of the conditions of the agreement. In all other instances, the losses are borne by the Rab-al-Mal.

Revenue recognition

Income or losses on Mudarabah investments, where the Bank is the Rab-al-Mal are recognized on an accruals basis if they can be reliably estimated. Otherwise, income is recognized on distribution by the Mudarib and the losses are recognised upon their declaration by the Mudarib.

3 Significant accounting policies (continued)

3.14 Revenue recognition on investments in Islamic financing instruments (continued)

3.14.4 Wakalah

Definition

An agreement whereby the Bank provides a certain sum of money to an agent who invests it according to specific conditions in return for a fee (a lump sum of money or a percentage above the anticipated profits). Similarly, the Bank also obtains money under wakala agreement which is recognised as a liability in its financial statements.

Revenue recognition

The estimated income or expenses from a Wakalah is recognized on an accrual basis over the period of the investment as a liability, adjusted by the actual income or expense when received.

3.14.5 Tawarruq

Definition

An agreement between two parties, whereby the Bank will, directly or indirectly, buys an asset and immediately sell it to a customer on a deferred payment basis. The Bank on behalf of the customer then sells the same asset to a third party for immediate delivery and payment. The customer is given the sales proceeds and has a deferred payment obligation to the Bank at a marked-up price.

Revenue recognition

Income or losses on Tawarruq financing are recognized on an accruals basis over the deferred payment period.

3.14.6 Istisna'

Definition

An agreement whereby the Bank (Al-Saane') provides funds to a customer (Al-Mustasne) for the development of an asset according to pre-agreed specifications at a specific price and date.

Revenue recognition

Istisna' revenue and the associated profit margin (difference between the cash price of the asset sold to the customer and the Bank's total Istisna' cost) is accounted for on a time apportioned basis.

3 Significant accounting policies (continued)

3.15 Fees and other income

Fees and other income from banking services are recognized on an accrual basis as the service is performed, when it is probable that associated economic benefits will be obtained and a reliable estimate of amount can be made.

Foreign exchange income on foreign exchange transactions undertaken on behalf customers is recognised as and when the underlying customer related exchange transactions are completed.

3.16 Zakat

Zakat is computed in accordance with the Bank's Fatwa and Shari'a Supervisory Board decisions and it is the Bank's shareholders' responsibility to pay the Zakat on their respective share and therefore it is not recorded in the financial statements of the Bank.

3.17 Allocation of profit

Allocation of profits between depositors and shareholders is calculated according to the Bank's standard procedures and is approved by the Bank's Fatwa and Shari'a Supervisory Board.

3.18 Financial guarantees

Financial guarantees are initially recognized in the financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. The premium received is recognized in the income statement over the life of the guarantee.

3.19 Government grants

Non-monetary grants in the form of land received from the government are initially recognized at fair value and credited to the income statement when there is reasonable assurance that the grant will not be revoked.

3.20 Repossessed properties

When the Bank acquires and becomes the legal owner of a collateralized property against full and final settlement of an Islamic financing contract, the respective contract is terminated, the related outstanding balance is de-recognised and property is recognised at the carrying amount of the Islamic financing. If the fair value of the repossessed property is lower than the carrying amount of the outstanding Islamic financing balance, the balance is first impaired to the extent of the shortfall. The subsequent measurement will depend on the intended use and classification of the repossessed property as follows:

- The property is classified as "Investment property" (Note 3.7) in case of indeterminate use, capital appreciation and rental yield;
- The property is classified as "Property and equipment" (Note 3.6) if the Bank intends to retain the property for self-use.
- The property is classified as "Non-current asset held for sale" and measured at the lower of its carrying amount (which will be the fair value at the effective date of re-possession) and

fair value less costs to sell, if sale of the property is highly probable, management is committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan is initiated.

3 Significant accounting policies (continued)

3.21 Islamic derivative financing instruments

Islamic swaps

Islamic swaps are based on a Waa'd (promise) structure between two parties to buy a specified Shari'a compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Islamic swaps comprise profit rate swaps and currency swaps. In case of profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase / sale of a commodity under "Murabahah Sale Agreement" in a single currency. In case of Islamic currency swaps, profit payments as well as the cost of the underlying commodity are exchanged in different currencies, by executing the purchase or sale of commodities under "Murabahah Sale Agreements".

Islamic derivatives financing instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

4 Cash and balances with the UAE Central Bank

	2014 AED'000	2013 AED'000
Cash in hand	124,467	82,185
Balances with the UAE Central Bank:		
- Current account	635,887	606,699
- Certificate of deposits	1,050,000	2,000,000
- Statutory deposits	1,581,330	803,012
	3,391,684	3,491,896

The statutory deposits with the UAE Central Bank are not available to finance the day to day operations of the Bank, except in a crisis situation. Cash in hand, current account balances and statutory deposits with the UAE Central Bank are non-profit bearing. Certificates of deposit with the UAE Central Bank carry a profit rate of 0.08% - 0.39% (2013: 0% - 0.08%) per annum.

4 Cash and balances with the UAE Central Bank (continued)

Cash and cash equivalents include the following for the purposes of the statement of cash flows

	2014 AED'000	2013 AED'000
Cash and balances with the UAE Central Bank	3,391,684	3,491,896
Due from banks	2,992,166	2,340,657
Due to banks	(542,223)	(853,218)
	5,841,627	4,979,335
Less: Statutory deposits with the UAE Central Bank	(1,581,330)	(803,012)
Less: Balances having original maturity more than 3 months:		
- Certificate of deposits	(500,000)	-
- Net due from banks	(1,577,632)	(1,319,320)
Cash and cash equivalents	2,182,665	2,857,003

5 Due from banks

	2014 AED'000	2013 AED'000
Current accounts with banks	315,264	171,190
Deposits with banks	1,290,896	904,565
Export bills	1,386,006	1,264,902
	2,992,166	2,340,657

6 Investments in Islamic financing instruments

	2014 AED'000	2013 AED'000
Wakalah	400,000	500,000
Ijarah	3,618,148	3,085,525
Murabahah	15,527,996	12,184,266
Gross investments in Islamic financing instruments	19,546,144	15,769,791
Less : allowance for impairment	(1,509,285)	(1,424,576)
Net investments in Islamic financing instruments	18,036,859	14,345,215

6 Investments in Islamic financing instruments (continued)

Movement in allowance for impairment:

	2014 AED'000	2013 AED'000
At 1 January	1,424,576	1,615,634
Charge for the year	122,593	43,850
	1,547,169	1,659,484
Written off during the year	(37,884)	(234,908)
At 31 December	1,509,285	1,424,576

The investments in Islamic financing instruments are further analysed as follows:

	2014 AED'000	2013 AED'000
Performing	17,735,186	13,930,644
Past due but not impaired	380,969	339,901
Impaired	1,429,989	1,499,246
Gross investments in Islamic financing instruments	19,546,144	15,769,791
Less : allowance for impairment	(1,509,285)	(1,424,576)
Net investments in Islamic financing instruments	18,036,859	14,345,215

Below is the analysis of impaired balances:

	2014 AED'000	2013 AED'000
Impaired but not past due	95,129	89,630
Past due and impaired	1,334,860	1,409,616
	1,429,989	1,499,246

Summary of past due but not impaired:

	2014 AED'000	2013 AED'000
0 – 29 days	225,089	230,018
30 – 59 days	78,867	70,609
60 – 89 days	50,066	23,674
90 days and above	26,947	15,600
	380,969	339,901

6 Investments in Islamic financing instruments (continued)

Economic sector risk concentration (refer to note 25 for related party credit risk concentration) of investments in Islamic financing instruments is as follows:

	2014 AED'000	2013 AED'000
Construction & real estate	2,116,332	1,686,426
Financial institutions	3,645,195	4,354,145
Manufacturing	650,566	725,228
Consumer financings and credit cards	5,196,998	3,962,361
Trade	4,027,390	1,864,562
Transport, storage and communication	1,766,855	1,352,720
Other services	2,142,808	1,824,349
Gross investment in Islamic financing instruments	19,546,144	15,769,791
Less: allowance for impairment	(1,509,285)	(1,424,576)
Net investment in Islamic financing instruments	18,036,859	14,345,215

7 Investments in Islamic sukuk

	2014 AED'000	2013 AED'000
Available-for-sale	1,853,507	1,270,574
Held to maturity	734,949	327,104
Held for trading	292,807	213,611
	2,881,263	1,811,289

At 31 December 2014, the fair value of the held to maturity Islamic sukuk portfolio was AED 737 million (2013: AED 332 million).

During the year ended 31 December 2014, the Bank recognised a net fair value loss on available-for-sale investments in Islamic sukuk of AED 18.5 million (2013: loss of AED 3.2 million) in other comprehensive income under "cumulative changes in fair value of available-for-sale investment in Islamic sukuk".

The Bank holds certain Islamic sukuk in a fiduciary capacity on behalf of customers without recourse to itself and, accordingly, these sukuk are not included in the Bank's Islamic sukuk portfolio as at 31 December 2014 (Note 24).

8 Investment properties

	2014 AED'000	2013 AED'000
At 1 January	213,800	83,948
Additions during the year	54,745	124,000
Transfer from property and equipment (Note 10 (ii))	969,666	-
Change in fair value during the year	28,356	5,852
At 31 December	1,266,567	213,800

The carrying value of investment properties represents their fair value as determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). The basis of determination of fair value are the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

9 Other assets

	2014 AED'000	2013 AED'000
Accrued income on investments in Islamic financing and sukuk	160,962	131,270
Due from related parties (Note 25)	14,304	9,659
Equity investments in related companies (Note (i) below)	28,530	26,530
Prepayments and advances	12,619	5,956
Others	11,424	6,320
	227,839	179,735

(i) Equity investments in related companies at 31 December 2014 and 31 December 2013, held as available-for-sale financial assets, represent the Bank's share of its investment in the following entities:

	Shareholding structure	
	Noor Bank P.J.S.C.	*Noor Investment Group LLC*
Noor Takaful Family P.J.S.C.	10%	90%
Noor Takaful General P.J.S.C.	10%	90%
Premium Marketing LLC	10%	90%
Noor BPO LLC	30%	70%

10 Property and equipment

	Land	Buildings	Leasehold improvements	Vehicles	Computer and office equipment	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost / fair value							
At 1 January 2014	621,192	118,435	36,250	1,745	160,205	11,943	949,770
Revaluation surplus	348,474	48,687	-	-	-	-	397,161
Additions during the year	-	5,698			26,384	9,633	41,715
Transfer to investment properties (note ii below)	(969,666)	-	-	-	-	-	(969,666)
Transfers	-	-			8,395	(8,395)	-
At 31 December 2014	-	172,820	36,250	1,745	194,984	13,181	418,980
Accumulated depreciation							
At 1 January 2014	-	18,153	18,231	839	143,648	-	180,871
Charge for the year	-	4,728	3,625	300	12,879	-	21,532
At 31 December 2014	-	22,881	21,856	1,139	156,527	-	202,403
Net book value							
At 31 December 2014	-	149,939	14,394	606	38,457	13,181	216,577

The fair value of the Bank's land and buildings was determined by an independent valuation expert in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). From the resultant re-valuation gain, an amount of AED 120.3 million (2013: AED 7.6 million) has been recognised in the revaluation reserve under "other comprehensive income" and an amount of AED 276.8 million (2013: AED 54.9 million) has been recognised in the income statement, which represents reversal of impairment loss on land and buildings previously recognised in the income statement.

10 Property and equipment (continued)

	Land AED'000	Buildings AED'000	Leasehold improvements AED'000	Vehicles AED'000	Computer and office equipment AED'000	Capital work in progress AED'000	Total AED'000
Cost / fair value							
At 1 January 2013	573,453	103,616	35,273	1,670	149,973	6,534	870,519
Revaluation surplus	47,739	14,819	-	-	-	-	62,558
Additions during the year	-	-	967	325	4,498	11,161	16,951
Transfers	-	-	10	-	5,734	(5,744)	-
Disposals and write-offs	-	-	-	(250)	-	(8)	(258)
At 31 December 2013	621,192	118,435	36,250	1,745	160,205	11,943	949,770
Accumulated depreciation							
At 1 January 2013	-	13,614	14,639	806	128,167	-	157,226
Charge for the year	-	4,539	3,592	283	15,481	-	23,895
Disposals and write-offs	-	-	-	(250)	-	-	(250)
At 31 December 2013	-	18,153	18,231	839	143,648	-	180,871
Net book value							
At 31 December 2013	621,192	100,282	18,019	906	16,557	11,943	768,899

10 Property and equipment (continued)

(i) Buildings are located at Emaar Square, Dubai, and are used as the Bank's Head Office premises;

(ii) Land comprises certain vacant plots granted by the Government of Dubai to the Bank at various locations in Dubai. During the year ended 31 December 2014, the Bank transferred all plots of land to investment properties since it no longer intends to use these plots of land for its own use (Refer note 8).

11 Customer deposits

	2014 AED'000	2013 AED'000
Wakalah – term	11,515,775	12,438,696
Qard-E-Hasan - demand	4,962,400	2,960,924
Mudarabah – savings	6,947,933	2,923,730
Mudarabah- term	212,345	304,713
Margin accounts	212,502	35,518
	23,850,955	18,663,581

12 Wakalah term deposits

During the year ended 31 December 2014, the Bank prepaid the Wakalah term deposit of AED 771 million which was received from the Ministry of Finance (MoF) during the year ended 31 December 2008. Pursuant to an agreement with the MoF, the Bank had converted this Wakalah term deposit into Tier II capital effective 31 December 2009 for the purpose of regulatory capital calculations and this deposit was amortised to AED 463 million at 31 December 2013. This Wakalah term deposit was due for maturity on 31 December 2016 and had an anticipated profit rate for each year until maturity.

As at 31 December 2014, Wakalah term deposits comprise Tier II deposits obtained from local financial institutions (including related parties – see Note 25) in the UAE. These deposits have maturity tenures of 10 years from the date of the respective agreements and carry an expected profit rate for each year until maturity but can be repaid by the Bank either in full or part on any profit payment date any time after 5 years from the date of the agreement. The undrawn portion of these deposits amounted to AED 165 million as of 31 December 2014. The Central Bank of UAE has approved to consider the Wakalah term deposits as Tier II capital for regulatory capital calculations effective from the date of the agreement.

13 Due to banks

	2014 AED'000	2013 AED'000
Investment deposits	240,585	576,661
Current accounts	301,638	276,557
	542,223	853,218

14 Other liabilities

	2014 AED'000	2013 AED'000
Accrued expenses	126,401	100,466
Sundry disbursements payable	281,983	66,637
Accrued depositors' share of profit	72,393	62,896
Managers cheques	107,858	57,549
Employees' end of service benefits (Note 23)	23,076	17,612
Deferred income from Islamic financing and sukuk	38,875	11,120
Late payment amount collected (Note (i) below)	7,439	5,589
Switch fee payable	5,083	4,133
Sundry collection accounts	33,896	24,159
Promise to buy or sell currency (Note (ii) below)	11,897	641
Other payables	93,459	69,715
	802,360	420,517

(i) Late payment amount collected pertains to the delay in payments by customers. The Fatwa and Shari'a Supervisory Board decides on an amount allowable to be taken by the Bank to cover the actual cost due to the delay in payment by the customers. The remaining amount and any such additional income received, which the Fatwa and Shari'a Supervisory Board determines to be non-sharia compliant, is donated to charity under its supervision.

(ii) Represents mark-to-market fair valuation of Promise to buy or sell currency contracts held by the Bank for its currency risk management purposes. The outstanding commitments on such contracts amounted to AED 3.1 billion at 31 December 2014 (31 December 2013: AED 2.7 billion).

15 Share capital

	2014 AED'000	2013 AED'000
Authorised, issued and fully paid up share capital:		
3,307.9 million shares (2013: 3,307.9 million shares) of AED 1 each	3,307,895	3,307,895
Subscribed share capital (refer note (i) below)	50,000	-
	3,357,895	3,307,895

(i) The subscribed share capital at 31 December 2014 had been subscribed to by NIG at par value. The subscribed share capital is fully paid up and approved by the Board of Directors of the Bank and the UAE Central Bank. The statutory share capital of the Bank will be increased in 2015 after completion of the necessary administrative and legal formalities.

(ii) During the year ended 31 December 2013, the subscribed share capital that had been subscribed to by NIG (Note 1) at par value in 2012 has been converted into the statutory share capital of the Bank upon completion of the necessary administrative and legal formalities.

(iii) The Board of Directors of the Bank have proposed dividends of 10% for the year ended 31 December 2014 (2013: nil).

16 Statutory reserve

The UAE Federal Law No. 8 of 1984 (as amended), and the UAE Union Law No. 10 of 1980 (as amended) and the Articles of the Bank, require that 10% of the net profit for the year should be transferred to a statutory reserve until such time as the balance in the reserve equals 50% of the issued share capital. Accordingly, an amount of AED 67.8 million (2013: AED 25.5 million) has been transferred to the statutory reserve for the year ended 31 December 2014. This reserve is not available for distribution.

17 Income from Islamic financing and sukuk

	2014 AED'000	2013 AED'000
Wakalah	23,005	19,525
Ijarah	153,497	120,465
Murabahah	626,165	457,310
	802,667	597,300
Profit income on Islamic sukuk	92,498	81,386
Total income from Islamic financing and sukuk	895,165	678,686

18 Depositors' share of profit

	2014 AED'000	2013 AED'000
Wakalah - term	220,044	256,762
Mudarabah - savings	15,498	9,832
Mudarabah - term	2,871	4,336
	238,413	270,930

19 Fee and other income, net of charges

	2014 AED'000	2013 AED'000
Facility arrangement and processing fees	115,379	94,362
Transactional & deposit related fees	64,392	33,789
Net foreign exchange income	53,634	36,988
Trade services related fees	52,429	33,590
Fees from credit cards	9,208	10,800
Other income	1,531	2,117
	296,573	211,646

20 Gain on investments in Islamic sukuk

	2014 AED'000	2013 AED'000
Held for trading	10,215	5,957
Available-for-sale – realised gains	20,775	1,354
	30,990	7,311

21 Staff costs

	2014 AED'000	2013 AED'000
Salaries and allowances	286,661	214,474
Provision for employees' end of service benefits (Note 23)	7,090	4,487
Outsourced staff cost	25,874	-
Others	20,382	16,017
	340,007	234,978

22 General and administrative expenses

	2014 AED'000	2013 AED'000
Facilities management	49,003	34,564
IT related expenses	24,439	22,425
Marketing and advertisement	17,054	39,759
Legal and professional	12,382	11,571
Communication costs	4,411	3,797
Printing and stationery	7,603	5,592
Travelling expenses	2,754	1,522
Other expenses	9,624	10,161
	127,270	129,391

23 Provision for employees' end of service benefits

	2014 AED'000	2013 AED'000
At 1 January	17,612	13,662
Provided during the year	7,090	4,487
Paid during the year	(1,626)	(537)
At 31 December	23,076	17,612

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 4.27% (2013: 4.48%). Management has assumed average annual increment/promotion costs of 3.0 % (2013: 3.0 %). The present value of the obligation as at 31 December 2014 is not materially different from the provision computed in accordance with the UAE Labour Law.

24 Fiduciary assets

At 31 December 2014, the Bank held Islamic sukuk with a market value of AED 764 million (2013: AED 684 million) in a fiduciary capacity on behalf of customers' without recourse to itself. Accordingly, then Islamic sukuk are not included as part of the Bank's own Islamic sukuk portfolio (Note 7).

25 Related party balances and transactions

The Bank, in the normal course of business, enters into transactions with individuals and other business enterprises that fall within the definition of a related party as defined in IAS 24, Related party Disclosures. Significant balances and transactions with related parties are as follows:

	31 December 2014 AED'000	31 December 2013 AED'000
Related party balances:		
Investment in Islamic financing instruments:		
- Shareholders and other related parties (including certain Government related entities)	730,629	3,956,570
- Key management personnel	12,703	4,894
	743,332	3,961,464
Customer deposits:		
- Shareholders and other related parties	256,595	777,489
- Key management personnel	62,802	36,928
	319,397	814,417
Wakalah term deposits (refer note 12)	34,000	-
Due from related parties and other assets	42,834	36,189
Due to related parties and other liabilities	2,000	-
Accrued income from Islamic financing instruments	484	13,936
Accrued depositors' share of profit	8,531	7,479

	Year ended 31 December 2014 AED'000	Year ended 31 December 2013 AED'000
Related party transactions:		
Income from Islamic financing and sukuk	26,237	76,082
Depositor's share of profit	6,282	5,725
Staff costs recharged	87,686	65,969
Remuneration to key management personnel	21,600	20,190
Fee and other income	9,539	1,466

The Bank has reassessed the criteria it had adopted in identifying related party relationships and has excluded certain relationships which were previously disclosed on a voluntary basis although such relationships would qualify for exemption from the definition of related parties under IAS 24.

26 Commitments and contingent liabilities

(a) Contingent liabilities

	2014 AED'000	2013 AED'000
Letters of credit	739,612	641,678
Guarantees	2,797,214	2,134,249
Undrawn credit commitments – Revocable	4,537,927	3,360,605
Undrawn credit commitments – Irrevocable	598,529	370,523
Total	8,673,282	6,507,055

Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as financings. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

Undrawn credit commitments represent unused portions of authorisations to extend credit in the form of financing, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss for an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers' maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest, since it results from the possibility of unused portions of finance authorisations being drawn by the customer and, second, from these drawings subsequently not being paid as due. The Bank monitors the term to maturity of the credit commitments because longer term commitments generally have a greater degree of credit risk than the shorter term commitments. The total outstanding contractual amount of the commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(b) Capital commitments

At 31 December 2014, the bank has capital commitments of AED 10 million (2013: AED 35 million mainly relating to purchase of office units) mainly relating to purchase of furniture, fixtures, computer equipment and development/up-gradating of software.

27 Risk management

The Bank takes financial risk under the following categories in its day to day operations:

- Credit risk
- Liquidity risk
- Market risks
- Operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management philosophy and framework

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the following committees, which are responsible for overseeing, developing and monitoring the Bank`s risk management policies in their specified areas:

Executive Committee

The Executive Committee is responsible for ensuring that the Bank has an adequate and appropriate system of risk management and internal controls with the support of the Audit Committee and Risk Committee.

Risk Committee

The Risk Committee is responsible for providing an oversight on the health of the Bank's credit portfolio as well as for compliance with overall risk management policies and procedures established within the Bank. The Risk Committee comprises of at least three members (including at least one non-executive director and one 'risk expert' as determined by the Board of Directors) and the Chief Risk Officer is a permanent invitee.

27 Risk management (continued)

Risk management philosophy and framework (continued)

Audit Committee

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, compliance with laws and regulations, compliance with code of conduct and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Committee

The Credit Committee is responsible for taking credit decisions, recommending credit policies, and the future direction of the credit activities in the Bank. The Board of Directors has delegated its authority to Credit Committee to approve, sub-delegate, direct, monitor and review the Bank's financing activities, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

Operational Risk Committee

The Operational Risk Committee is responsible for overseeing, managing and ensuring that all aspects of Operational Risk policies and standards are effectively implemented, and the framework to monitor and report Operational Risk issues is functioning effectively to protect the interests of the Bank and promotes high level Operational Risk management culture in the Bank.

Management Committee

The Management Committee is responsible for overseeing and managing day-to-day business to attain sustained performance excellence, by conscientiously taking into account the prevalent and future risk environment, consistent with the Bank's vision, mission and strategy in accordance with good corporate governance principles, and in line with the significant stakeholders' expectations.

Asset Liability Committee ("ALCO")

The responsibility of ALCO is to actively monitor and manage committed and outstanding assets and liabilities, and to recommend appropriate funding, investment, and hedging strategies. In addition, the ALCO is also responsible for ensuring continuous liquidity required for growth while complying with the regulatory requirements.

27 Risk management (continued)

27.1 Credit risk

Credit risk is the risk emanating when a counter party of the Bank does not fulfil its contractual obligation or the quality of an issuer deteriorates. It arises principally from financing, trade finance and treasury activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by country, product, industry, and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification.

The Bank's total credit portfolio and therefore the maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	2014 AED'000	2013 AED'000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from banks	2,992,166	2,340,657
Investments in Islamic financing instruments	18,036,859	14,345,215
Investment in Islamic sukuk	2,881,263	1,811,289
Other assets (excluding prepayments & advances)	215,220	173,779
	24,125,508	18,670,940
Credit risk exposures relating to off-balance sheet items are as follows:		
Contingencies and commitments	4,135,355	3,146,450

The above table excludes revocable commitments and represents a worst case scenario of credit risk exposure of the Bank at the reporting date without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position at the reporting date.

At 31 December 2014, 75% (2013: 77%) of the total maximum exposure arises from investments in Islamic financing instruments for which credit quality and risk concentration are disclosed in Note 6. Balances due from banks are held with reputable organisations within and outside UAE, where the risk of default is considered low.

27 Risk management (continued)

27.1 Credit risk (continued)

The table below presents an analysis of the investment in Islamic sukuk based on ratings obtained from external rating agencies:

	2014 AED'000	2013 AED'000
AAA to AA-	283,923	5,727
A+ to BBB-	1,918,266	1,256,886
BB+ & below	153,793	72,063
Unrated	525,281	476,613
Total	2,881,263	1,811,289

The unrated investment in Islamic sukuk is mostly with the Government of Dubai and local reputed companies.

Following are the risk management policies adopted by the Bank to ensure credit quality and minimise the risk of concentration.

(a) Credit rating and measurement

The risk rating system is the basis for determining the credit risk of the Bank's asset portfolio (except the consumer assets) and thus asset pricing, portfolio management, determining finance loss provisions and reserves and the basis for credit approval authority delegation. A standard numeric credit risk-grading system is being used by the Bank which is based on the Bank's internal estimate of probability of default, with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors.

Performing clients are rated on a scale of NRR1 to NRR7, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated NP-1, NP-2 and NP-3, corresponding to the Substandard, Doubtful and Loss classifications as per *Clarifications and Guidelines Manual for Circular No. 28/2012* issued by the UAE Central bank. The Bank's internal credit grades have also been mapped to external agency ratings for better comparison (Refer Note 6).

(b) Credit approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Bank's Credit Committee ("CC") within the authorities delegated by the Board of Directors.

27 Risk management (continued)

27.1 Credit risk (continued)

(c) Credit monitoring

The Bank regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Chief Risk Officer and Board Risk Committee, containing information on key variables; portfolio delinquency and financing impairment performance.

All Corporate exposures accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier. Bank has robust policies for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorised as watch list or non-performing as per UAE Central Bank guidelines.

All non-performing accounts are monitored closely by the Remedial Management Unit of the Bank directly reporting to the Chief Risk Officer. Such accounts are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exit of the account etc.

With respect to the Bank's consumer portfolio, asset quality is monitored closely with 30/60/90/ days past due accounts and delinquency trends are monitored continuously for each Consumer Product of the Bank. Individual customer behaviour is also tracked which forms an input for future financing decisions. Accounts which are past due are subject to collection process, managed independently by the risk function. Write-off and provisioning of the Consumer portfolio is done strictly as per the UAE Central Bank guidelines.

(d) Credit mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit etc. Risk mitigation policies control the approval of collateral types.

Collateral is valued in accordance with the Bank's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financings is maintained at fair value.

27 Risk management (continued)

27.1 Credit risk (continued)

(d) Credit mitigation (continued)

Collateral and other credit enhancements possessed or called upon

During the year, the Bank obtained assets by taking possession of collateral as follows:

	31 December 2014			31 December 2013		
	Retail AED'000	Corporate and SME AED'000	Total AED'000	Retail AED'000	Corporate and SME AED'000	Total AED'000
Property	47,611	-	47,611	21,895	124,910	146,805
Vehicles	719	-	719	1,270	-	1,270
	48,330	-	48,330	23,165	124,910	148,075

Repossessed collateral is disposed of as per the Bank's approved policy.

(e) Offsetting financial instruments

The Bank has not entered in significant master netting arrangement with counterparties which enable them to settle transactions on net basis. In absence of such agreements the financial asset and liabilities are settled on gross basis.

27.2 Liquidity risk

Liquidity risk is the risk to the Bank's earnings or capital arising from its inability to meet its obligations as they fall due, without incurring significant costs or losses. A bank's ability to withstand either temporary or longer-term disruptions in its ability to fund some or all of its activities in a timely manner and at a reasonable cost depends on the adequacy of its liquidity contingency plans. The Bank's Asset Liability Committee ("ALCO") actively monitors and manages all committed and outstanding assets and liabilities, to recommend appropriate funding, investment and hedging strategies. In addition to that, ALCO ensures adequate liquidity exists to sustain the growth while complying with regulatory requirements.

27 Risk management (continued)

27.2 Liquidity risk (continued)

a) *The following table presents the cash flow analysis of remaining contractual maturities of Bank's financial liabilities on an undiscounted basis, relating to both principal and profit payments:*

At 31 December 2014	Carrying amount AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	More than 5 years AED'000	Total AED'000
Customer deposits	23,850,955	13,958,179	8,018,677	2,020,858	-	23,997,714
Wakalah term deposits	544,192	-	30,423	121,692	696,306	848,421
Due to banks	542,223	485,332	57,100	-	-	542,432
Other liabilities	763,485	740,409	-	-	23,076	763,485
	25,700,855	15,183,920	8,106,200	2,142,550	719,382	26,152,052
At 31 December 2013						
Customer deposits	18,663,581	10,584,996	7,963,250	325,600	-	18,873,846
Wakalah term deposits	770,921	-	-	811,394	-	811,394
Due to banks	853,218	487,443	-	378,484	-	865,927
Other liabilities	409,397	391,785	-	-	17,612	409,397
	20,697,117	11,464,224	7,963,250	1,515,478	17,612	20,960,564

At 31 December 2014, Customer deposits include an amount of AED 7.6 billion received from five customers (2013: AED 5.6 billion from five customers). At 31 December 2014 customer deposits due for maturity within 3 months include Escrow account balances of AED 1.76 billion and lien marked Qard-E-Hasan (demand) balances of AED 1.78 billion as at 31 December 2014. These deposits are expected to be drawn down after 1 year. Remaining Customer deposits, although contractually short term in nature, tend to be renewed on maturity and expected to remain with the Bank for a longer term.

27 Risk management (continued)

27.2 Liquidity risk (continued)

b) Maturity profile of financial assets and financial liabilities

At 31 December 2014	Up to 3 months AED'000	3 – 12 months AED'000	1 – 5 years AED'000	More than 5 years AED'000	Total AED'000
Assets					
Cash and balances with the UAE Central Bank	2,891,684	500,000	-	-	3,391,684
Due from banks	2,196,139	743,377	52,650	-	2,992,166
Investments in Islamic financing instruments	4,082,553	3,208,127	6,466,152	4,280,027	18,036,859
Investments in Islamic sukuk	308,738	614,865	1,311,130	646,530	2,881,263
Other assets	186,690	-	-	28,530	215,220
Total	9,665,804	5,066,369	7,829,932	4,955,087	27,517,192
Liabilities					
Customer deposits	13,922,577	7,922,809	2,005,569	-	23,850,955
Wakalah term deposits	-	-	-	544,192	544,192
Due to banks	485,290	56,933	-	-	542,223
Other liabilities	740,409	-	-	23,076	763,485
Total	15,148,276	7,979,742	2,005,569	567,268	25,700,855
Net liquidity gap	(5,482,472)	(2,913,373)	5,824,363	4,387,819	1,816,337
Cumulative gap	(5,482,472)	(8,395,845)	(2,571,482)	1,816,337	-

27 Risk management (continued)

27.2 Liquidity risk (continued)

b) Maturity profile of financial assets and financial liabilities

At 31 December 2013	Up to 3 months AED'000	3 – 12 months AED'000	1 – 5 years AED'000	More than 5 years AED'000	Total AED'000
Assets					
Cash and balances with the UAE Central Bank	2,688,884	803,012	-	-	3,491,896
Due from banks	2,014,369	326,288	-	-	2,340,657
Investments in Islamic financing instruments	1,782,923	3,082,841	5,903,449	3,576,002	14,345,215
Investments in Islamic sukuk	1,484,185	146,376	180,728	-	1,811,289
Other assets	147,249	-	-	26,530	173,779
Total	8,117,610	4,358,517	6,084,177	3,602,532	22,162,836
Liabilities					
Customer deposits	10,508,636	7,051,348	1,103,597	-	18,663,581
Wakalah term deposits	-	-	770,921	-	770,921
Due to banks	485,918	-	367,300	-	853,218
Other liabilities	391,785	-	-	17,612	409,397
Total	11,386,339	7,051,348	2,241,818	17,612	20,697,117
Net liquidity gap	(3,268,729)	(2,692,831)	3,842,359	3,584,920	1,465,719
Cumulative gap	(3,268,729)	(5,961,560)	(2,119,201)	1,465,719	-

27 Risk management (continued)

27.3 Market risk

Market risk is the potential impact of adverse price movements such as benchmark rates, foreign exchange prices and commodity prices on the earnings/economic value of an asset held by the Bank. The exposure to market risk occurs throughout the contract which may negatively affect the earnings and capital of the Bank. The market risk unit is responsible for monitoring and reporting this risk in the Bank.

(a) Profit rate risk

The following table summarises the financial assets and liabilities of the Bank, which are subject to profit rate risk, at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates. The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period:

At 31 December 2014	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-profit bearing	Total	Profit rate
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	%
Cash and balances with the UAE Central Bank	550,000	500,000	-	-	2,341,684	3,391,684	0.19
Due from banks	1,634,307	633,185	52,650	-	672,024	2,992,166	1.87
Investments in Islamic financing instruments	9,915,833	5,707,315	2,194,932	218,779	-	18,036,859	4.64
Investments in Islamic sukuk	418,916	621,432	1,213,114	627,801	-	2,881,263	3.94
	12,519,056	7,461,932	3,460,696	846,580	3,013,708	27,301,972	
Liabilities							
Customer deposits	7,892,506	7,275,399	245,467	-	8,437,583	23,850,955	1.10
Wakalah term deposits	-	-	-	544,192	-	544,192	5.51
Due to banks	183,652	56,933	-	-	301,638	542,223	0.27
	8,076,158	7,332,332	245,467	544,192	8,739,221	24,937,370	
Net position on balance sheet	4,442,898	129,600	3,215,229	302,388	(5,725,513)	2,364,602	

The impact of 1% change in profit rate's would impact AED 27 million (2013: AED 29 million) on the Bank's income statement for the year ended 31 December 2014. The analysis is based on the assumptions that all other variables will remain constant and income simulation for 1 year forecast.

Similarly, an impact of 1% change in profit rate's would impact AED 110 million (2013: AED 98 million) on the Banks equity for the year ended 31 Dec 2014. The analysis is based on the assumptions that all other variables will remain constant for full maturity horizon.

27 Risk management (continued)

27.3 Market risk (continued)

(a) Profit rate risk (continued)

At 31 December 2013	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-profit bearing	Total	Profit rate
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	%
Cash and balances with the UAE Central Bank	100,000	-	-	-	3,391,896	3,491,896	0.08
Due from banks	1,843,179	326,288	-	-	171,190	2,340,657	1.83
Investments in Islamic financing instruments	7,353,088	4,243,867	1,287,793	1,460,467	-	14,345,215	4.53
Investments in Islamic sukuk	-	234,175	1,506,077	71,037	-	1,811,289	2.88
	9,296,267	4,804,330	2,793,870	1,531,504	3,563,086	21,989,057	
Liabilities							
Customer deposits	7,509,149	7,051,347	1,103,597	-	2,999,487	18,663,581	1.34
Wakalah term deposits	-	770,921	-	-		770,921	5.25
Due to banks	296,424	-	367,300	-	189,494	853,218	1.49
	7,805,573	7,822,268	1,470,897	-	3,188,981	20,287,720	
Net position	1,490,694	(3,017,938)	1,322,973	1,531,504	374,105	1,701,337	

27 **Risk management** (continued)

27.3 **Market risk** (continued)

(b) Foreign currency risk

Foreign currency risk represents the risk of change in the fair value of Islamic financing instruments due to changes in foreign exchange rates. The Bank manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows through setting limits on the level of exposure by currency. At the end of the year, the Bank had the following significant net foreign currency exposures:

	Balances in Foreign Currency					Balances in local currency	Total
	US$	QAR	EUR	Others	Sub-total		
At 31 December 2014	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets							
Cash and balances with the UAE Central Bank	275,236	-	-	-	275,236	3,116,448	3,391,684
Due from banks	1,322,094	467,183	59,208	75,666	1,924,151	1,068,015	2,992,166
Investments in Islamic financing instruments	2,482,763	-	13,622	305,434	2,801,819	15,235,040	18,036,859
Investments in Islamic sukuk	2,867,877	-	-	-	2,867,877	13,386	2,881,263
Other assets	50,655	255	687	6,072	57,669	157,551	227,839
	6,998,625	467,438	73,517	387,172	7,926,752	19,590,440	27,529,811
Liabilities							
Customer deposits	1,984,812	-	790,084	141,216	2,916,112	20,934,843	23,850,955
Wakalah term deposits	110,192	-	-	-	110,192	434,000	544,192
Due to banks	245,409	-	-	-	245,409	296,814	542,223
Other liabilities	37,450	-	210	-	37,660	725,825	763,485
	2,377,863	-	790,294	141,216	3,309,373	22,391,482	25,700,855
Net on-balance sheet foreign currency exposure	4,620,762	467,438	(716,777)	245,956	4,617,379		
Net FX position on account of FX contracts	(3,733,126)	-	780,441	(172,990)	(3,125,675)		
Net FX open position	887,636	467,438	63,664	72,966	1,491,704		

The impact of an 1% increase/decrease in the foreign exchange rates of the Bank's net on-balance sheet items is AED 1.9 million on the Bank's income statement for the year ended 31 December 2014 (2013: AED 1.57 million). The analysis is based on the assumptions that all other factors will remain constant.

27 Risk management (continued)

27.3 Market risk (continued)

(b) Foreign currency risk (continued)

	Balances in foreign currency					Balances in local currency	
	US$	QAR	EUR	Others	Sub-total		Total
At 31 December 2013	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets							
Cash and balances with the UAE Central Bank	136,579	-	-	-	136,579	3,355,317	3,491,896
Due from banks	1,680,897	163,765	255,761	25,468	2,125,891	214,766	2,340,657
Investments in Islamic financing instruments	1,445,795	-	885	-	1,446,680	12,898,535	14,345,215
Investments in Islamic sukuk	1,783,360	-	-	-	1,783,360	27,929	1,811,289
Other assets	107,545	26	1,557	-	109,128	64,651	173,779
	5,154,176	163,791	258,203	25,468	5,601,638	16,561,198	22,162,836
Liabilities							
Customer deposits	1,420,464	2,017	311,570	43,130	1,777,181	16,886,400	18,663,581
Wakalah term deposits	-	-	-	-	-	770,921	770,921
Due to banks	663,353	-	26	-	663,379	189,839	853,218
Other liabilities	21,862	-	49,116	311	71,289	338,108	409,397
	2,105,679	2,017	360,712	43,441	2,511,849	18,185,268	20,697,117
Net on-balance sheet foreign currency exposure	3,048,497	161,774	(102,509)	(17,973)	3,089,789		
Net FX position on account of FX contracts	(3,067,998)	201,740	103,552	21,938	(2,740,768)		
Net FX open position	(19,501)	363,514	1,043	3,965	349,021		

27 Risk management (continued)

27.3 Market risk (continued)

(c) Price risk

The Bank is exposed to price risk arising from publicly traded investments in Islamic sukuk.

A present value one basis point (PVBP) increase/decrease in the prices will have an impact of AED 0.95 million on the Bank's investment portfolio for the year ended 31 December 2014 (2013: AED 0.5 million). The analysis is based on the assumptions that all other variables will remain constant.

27.4 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in an active market for identical financial instruments.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques.

27 Risk management (continued)

27.4 Fair value hierarchy (continued)

The financial instruments and non-financial assets measured at fair value as per the hierarchy are disclosed in the table below:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
As at 31 December 2014			
Financial assets at fair value			
Investments in Islamic sukuk			
- Classified as AFS	1,853,507	-	-
- Classified as Held for Trading	292,807	-	-
	2,146,314	-	-
Financial liabilities			
Promise to buy or sell currency	-	11,987	-
As at 31 December 2013			
Financial assets at fair value			
Investments in Islamic sukuk			
- Classified as AFS	1,270,574	-	-
- Classified as Held for Trading	213,611	-	-
	1,484,185	-	-
Financial liabilities			
Promise to buy or sell currency	-	641	-

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
As at 31 December 2014			
Non-financial assets at fair value			
Investment properties	-	1,266,567	-
Buildings	-	149,939	-
		1,416,506	
As at 31 December 2013			
Non-financial assets at fair value			
Investment properties	-	213,800	-
Land and buildings	-	721,474	-
		935,274	

27 Risk management (continued)

27.4 Fair value hierarchy (continued)

The different levels for fair values of non-financial assets have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For investment properties and land and buildings, the fair values have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 31 December 2014, the carrying value of the Bank's other assets and liabilities measured at amortised cost, approximate their fair values. There have been no transfers of financial assets and non-financial assets between level 1 and Level 2 during the years ended 31 December 2014 or 31 December 2013.

27.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed processes, technology and infrastructure within the Bank, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory compliance requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation, assets and personnel with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;

27 **Risk management** (continued)

27.5 **Operational risk** (continued)

- training and professional development of employees for operational risk awareness;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Bank's operational risk standards is supported by a programme of periodic reviews undertaken by Internal Audit and a dedicated Operational Risk Team. The results of their reviews are discussed with the management of the business unit to which they relate and senior management of the Bank.

27.6 Capital management and capital adequacy as per Basel II requirement

The Bank manages its capital considering both regulatory and economic capital. The Bank calculates its risk asset ratio in accordance with requirements and guidelines established by the UAE Central Bank prescribing the ratio of total capital to total risk-weighted assets which is currently set at a minimum of 12 % (2013: 12%). This is in line with the assessment and reporting of capital adequacy ratio in accordance with the Basel II Accord as follows:

	2014 AED'000	2013 AED'000
Tier I Capital		
Share capital	3,307,895	3,307,895
Legal reserves	156,917	63,566
Accumulated losses	(349,535)	(934,270)
Less: Other equity investments	(12,500)	-
	3,102,777	2,437,191
Tier II Capital		
Subordinated term investment (Note 12)	544,192	462,553
General provision	245,334	206,428
Asset revaluation reserve	(19,984)	(1,525)
Less: Other equity investments	(12,500)	-
	757,042	667,456
Deductions from Tier I & Tier II Capital		
Investment in other equity investments (Note 9)	-	(25,000)
Total regulatory capital	3,859,819	3,079,647
Risk weighted assets		
Credit risk	19,672,421	16,514,205
Market risk	277,666	85,143
Operational risk	1,373,236	932,890
Risk weighted assets	21,323,323	17,532,238
Capital adequacy ratio on regulatory capital	18.10%	17.57%
Risk asset ratio on Tier I capital	14.55%	13.90%

27 Risk management (continued)

27.6 Capital management and capital adequacy as per Basel II requirement (continued)

Asset classes in 2014	On balance sheet gross outstanding AED'000	Off balance sheet net exposure after credit conversion factors (CCF) AED'000	Credit risk mitigation (CRM) Exposure before CRM AED'000	CRM AED'000	After CRM AED'000	Risk weighted assets AED'000
Claims on sovereigns	4,218,086	-	4,218,086	-	4,218,086	389,375
Claims on non-central government public sector entities	77,734	-	77,734	-	77,734	855
Claims on banks	4,124,664	214,981	4,339,645	(123,429)	4,216,215	1,615,716
Claims on securities firms	-	-	-	-	-	-
Claims on corporates	13,188,019	3,919,563	17,107,582	(2,990,755)	14,116,827	12,323,934
Claims included in the regulatory retail portfolio	2,653,969	-	2,653,969	(223,544)	2,430,425	1,869,835
Claims secured by residential property	2,529,909	110,211	2,640,120	-	2,640,121	1,154,437
Claims secured by commercial real estate	319,449	-	319,449	-	319,449	319,449
Past due financing	1,479,476	19,853	1,499,329	-	1,499,329	362,917
Other assets	2,201,278	-	2,201,278	-	2,201,278	1,635,903
	30,792,584	4,264,608	35,057,192	(3,337,728)	31,719,464	19,672,421

The total collateral held by the Bank as CRM includes AED 3.1 billion as cash collateral (2013: AED 1.4 billion as cash collateral). The Bank has rearranged its asset classes during 2013 in accordance with the UAE Central Bank circular no: 3823/2012. Therefore, at 31 December 2014, certain figures have been regrouped or reclassified to conform to the new circular requirements.

27 Risk management (continued)

27.6 Capital management and capital adequacy as per Basel II requirement (continued)

Asset classes in 2013	On balance sheet gross outstanding AED'000	Off balance sheet net exposure after credit conversion factors (CCF) AED'000	Credit risk mitigation (CRM) Exposure before CRM AED'000	CRM AED'000	After CRM AED'000	Risk weighted assets AED'000
Claims on sovereigns	3,976,912	-	3,976,912	-	3,976,912	229,794
Claims on non-central government public sector entities	5,583,976	-	5,583,976	-	4,850,220	4,727,047
Claims on banks	3,020,459	125,845	3,146,304	(18,502)	3,127,802	1,824,660
Claims on securities firms	-	-	-	-	-	-
Claims on corporates	5,749,317	1,553,206	7,302,523	(1,504,395)	5,798,128	5,705,342
Claims included in the regulatory retail portfolio	1,345,833	-	1,345,833	-	1,345,833	1,010,417
Claims secured by residential property	1,590,413	7,003	1,597,416	-	1,597,416	823,588
Claims secured by commercial real estate	494,001	-	494,001	-	494,001	494,001
Past due financing	1,527,705	-	1,527,705	-	1,527,705	432,233
Other assets	1,562,920	-	1,562,920	-	1,562,920	1,267,123
	24,851,536	1,686,054	26,537,590	(1,522,897)	25,014,693	16,514,205

27 Risk management (continued)

27.6 Capital management and capital adequacy as per Basel II requirement (continued)

The capital requirement for market risk under the standardised approach is as follows:

	2014		2013	
	Risk weighted assets AED'000	Capital charge AED'000	Risk weighted assets AED'000	Capital charge AED'000
Profit rate risk	207,877	24,945	83,676	10,041
Foreign exchange risk	69,789	8,375	1,467	176
	277,666	33,320	85,143	10,217

Capital charge for year ended 31 December 2014 has been calculated at 12% (2013: 12%).

28 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform to the presentation adopted in the financial statements.

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