

IMPORTANT NOTICE

THIS BASE 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 before continuing. The following applies to the base prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached base prospectus (the **Base Prospectus**). In accessing the Base Prospectus, 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 the Issuer, the Bank, the Arranger or the Dealers (each as defined in the attached Base Prospectus) as a result of such access.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED BASE PROSPECTUS 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. IF YOU HAVE GAINED ACCESS TO THIS ELECTRONIC TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE ATTACHED BASE PROSPECTUS.

UNDER NO CIRCUMSTANCES SHALL THIS BASE PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

The attached Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; or (ii) persons who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the **Order**) and (iii) to high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as **relevant persons**). The attached Base Prospectus is only available to and is only directed at relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Confirmation of Your Representation: By accessing this Base Prospectus you confirm to the Issuer, the Bank, the Arranger and the Dealers, that: (i) you understand and agree to the terms set out herein (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States its territories and possessions (iii) you consent to delivery of the Base Prospectus by electronic transmission (iv) you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person and (v) 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 Notes (as defined in the attached Base Prospectus).

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

If you received this Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or

rejected. If you receive this Base Prospectus by e-mail, your use of this email 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.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these 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 the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in this Base Prospectus.

This Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Bank, the Arranger, the Dealers nor any person who controls or is a director, officer, employee or agent of them nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version.

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Issuer, the Bank, the Arranger and the Dealers to inform themselves about, and to observe, any such restrictions.



BOS FUNDING LIMITED

(incorporated in the Cayman Islands with limited liability)

unconditionally and irrevocably guaranteed by

BANK OF SHARJAH P.J.S.C.

(incorporated in the Emirate of Sharjah with limited liability)

U.S.\$2,500,000,000

Euro Medium Term Note Programme

Under this U.S.\$2,500,000,000 Euro Medium Term Note Programme (the **Programme**), BoS Funding Limited (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer, the Bank and the relevant Dealer (as defined below). The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Bank of Sharjah P.J.S.C. (the **Bank**) under a Deed of Guarantee (as defined below).

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this base prospectus (the **Base Prospectus**) to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

This Base Prospectus has been approved as a base prospectus by the Central Bank of Ireland (the **Central Bank of Ireland**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Central Bank of Ireland should not be considered as an endorsement of the Issuer or the Bank or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

Such approval relates only to Notes that are to be admitted to trading on the regulated market (the **Euronext Dublin Regulated Market**) of the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) or another regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**) and/or that are to be offered to the public in any member state of the European Economic Area (the **EEA**) (each a **Member State**) in circumstances that require the publication of a prospectus.

Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the **Official List**) and trading on the Euronext Dublin Regulated Market. References in this Base Prospectus to the Notes being **listed** (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, the Notes have been admitted to the Official List and trading on the Euronext Dublin Regulated Market.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the EEA. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the Central Bank of Ireland and, where listed, Euronext Dublin. Copies of Final Terms in relation to Notes to be listed on Euronext Dublin will also be published on the website of Euronext Dublin.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Issuer may agree with any Dealer that Notes may be issued in a form or with terms and conditions not contemplated by the terms and conditions of the Notes herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Notes and the Deed of Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or the securities laws of any applicable state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the securities laws of the applicable state or other jurisdiction of the United States. The Notes include Notes in bearer form that are subject to U.S. tax law requirements. For more information see "*Subscription and Sale*".

The Bank has a long-term rating of BBB+ from Fitch Ratings Limited (**Fitch**). The Programme is expected to be assigned a long-term senior unsecured rating of BBB+ by Fitch. Fitch is established in the United Kingdom (the **UK**) and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK CRA Regulation**). Fitch is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited in accordance with the CRA Regulation and have not been withdrawn. Fitch Ratings Ireland Limited is established in the EEA and registered under the CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

Notes issued under the Programme may be rated or unrated by the rating agency referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme or Notes already issued by such rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes will be calculated by reference to one of the Euro interbank offered rate (**EURIBOR**), Shanghai interbank offered rate (**SHIBOR**), Hong Kong interbank offered rate (**HIBOR**), Singapore interbank offered rate (**SIBOR**), Kuala Lumpur interbank offered rate (**KLIBOR**), Emirates interbank offered rate (**EIBOR**), Saudi Arabia interbank offered rate (**SAIBOR**), Bank Bill Swap Rate (**BBSW**), Prague interbank offered rate (**PRIBOR**), CNH Hong Kong interbank offered rate (**CNH HIBOR**), Turkish Lira interbank offered rate (**TRLIBOR** or **TRYLIBOR**) and the Tokyo interbank offered rate (**TIBOR**), as specified in the applicable Final Terms. As at the date of this Base Prospectus, the administrators of EURIBOR, SIBOR, BBSW, and PRIBOR, are included in the register of administrators of ESMA under Article 36 of Regulation (EU) No. 2016/1011 (the **EU Benchmarks Regulation**). As at the date of this Base Prospectus, the administrators of SHIBOR, HIBOR, KLIBOR, EIBOR, SAIBOR, CNH HIBOR, TRLIBOR or TRYLIBOR and TIBOR are not included in ESMA's register of administrators under Article 36 of the EU Benchmarks Regulation. As far as the Issuer is aware, EIBOR and KLIBOR do not fall within the scope of the EU Benchmarks Regulation by virtue of Article 2 of that regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that ICE Benchmark Administrator Limited, the Treasury Markets Association of Banks, the Hong Kong Association of Banks, the Banks Association of Turkey, Refinitiv Benchmark Services (UK) Limited and the JBA TIBOR Administration are not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arranger

First Abu Dhabi Bank

Dealers

Bank ABC

Emirates NBD Capital

First Abu Dhabi Bank

J.P. Morgan

The date of this Base Prospectus is 20 December 2021.

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation.

Each of the Issuer and the Bank accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Bank the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers does not form part of the Base Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.

Neither the Arranger nor the Dealers have 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 the Dealers or the Arranger as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Arranger or any Dealer or the Issuer or the Bank in connection with the Programme nor is any responsibility or liability accepted by the Arranger or the Dealers for any acts or omissions of the Issuer or the Bank or any other person in connection with this Base Prospectus or the issue and offering of Notes under the Programme. To the fullest extent permitted by law, neither the Arranger nor any Dealer accepts any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Base Prospectus or any such statement, including in relation to the information contained in this Base Prospectus or any other information provided by the Issuer or the Bank in connection with the Programme or the issue or offering of Notes thereunder.

No person is or has been authorised by the Issuer or the Bank to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Bank or the Arranger or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Bank, the Arranger or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Bank. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Bank or the Arranger or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Bank during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Bank, the Arranger and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Bank, the Arranger or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base 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 Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA, the UK, Japan, Hong Kong, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Cayman Islands, the Kingdom of Saudi Arabia, the Kingdom of Bahrain (**Bahrain**), the State of Qatar (**Qatar**) (including the Qatar Financial Centre), Singapore and Malaysia (see "*Subscription and Sale*").

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

No comment is made or advice given by the Issuer, the Bank, the Arranger, the Dealers or the Agents (as defined under "*Terms and Conditions of the Notes*") in respect of taxation matters relating to any Notes or the legality of the purchase of the Notes by an investor under any applicable law or regulation.

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 NOTES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, the consolidated statement of financial position, the consolidated income statement and consolidated statement of cash flows information included in this Base Prospectus relating to the Bank and its subsidiaries (collectively, the **Group**) has been derived:

- in the case of the financial information as at and for the nine-month period ended 30 September 2021 and as at and for the nine-month period ended 30 September 2020, from the unaudited condensed consolidated financial information as at and for the nine-month period ended 30 September 2021 together with the notes thereto (the **2021 Interim Financial Statements**);
- in the case of financial information as at and for the year ended 31 December 2020 and as at and for the year ended 31 December 2019, from the audited consolidated financial statements as at and for the financial year ended 31 December 2020 of the Group together with the audit report thereon and the notes thereto (the **2020 Financial Statements**); and
- in the case of financial information as at and for the year ended 31 December 2018, from the audited consolidated financial statements as at and for the financial year ended 31 December 2019 of the Group together with the audit report thereon and the notes thereto (the **2019 Financial Statements** and, together with the 2021 Interim Financial Statements and 2020 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 2020 Financial Statements and 2019 Financial Statements have been audited in accordance with International Standards on Auditing without qualification. The 2020 Financial Statements have been audited by Deloitte & Touche (M.E.) (**Deloitte**). The 2019 Financial Statements have been audited by KPMG Lower Gulf Limited (**KPMG**). The 2021 Interim Financial Statements have been prepared in accordance with IAS 34 and have been reviewed by Deloitte in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

The Group's financial year ends on 31 December and references in this Base Prospectus to **2020**, **2019** and **2018** are to the 12-month period ending on 31 December in each such year. Annual information presented in this Base Prospectus is based upon 1 January to 31 December periods unless otherwise indicated.

Hyperinflation

As further discussed in "*Financial Review—Hyperinflation*", the Lebanese economy has been deemed a hyperinflationary economy. As a result, the Group applied IAS 29 "Financial Reporting in Hyperinflationary Economies" to its subsidiary, Emirates Lebanon Bank from 1 January 2020 and for financial reporting purposes for the year ended 31 December 2020 and for the nine-month period ended 30 September 2021. The gain or loss on the net monetary position which has been derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of comprehensive income is recognised in the consolidated statement of profit or loss for 2020 and for the nine-month period ended 30 September 2021.

Reclassifications

During 2020, the Group identified that the impairment of the goodwill generated prior to 2019 from the acquisition of the subsidiary Muwaileh Capital FZC was not recognised in the consolidated financial statements of the Group for the year ended 31 December 2018. This has been rectified retrospectively in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the consolidated financial statements of the Group have been restated to recognise the goodwill impairment. The effects of the retrospective recognition of goodwill impairment in the 2018 consolidated financial statements, as set out in the 2020 Financial Statements, is summarised in the table below.

	As previously reported	Reclassifications	Reclassified
		(AED'000)	
<i>Consolidated statement of financial position as at 1 January 2019</i>			
Goodwill and other intangibles	416,056	(110,726)	305,330
Retained earnings	300,324	(110,726)	189,598
Total equity	3,778,915	(110,726)	3,668,189

	As previously reported	Reclassifications	Reclassified
		(AED'000)	
<i>Consolidated statement of financial position as at 31 December 2019</i>			
Goodwill and other intangibles	136,587	(110,726)	25,861
Accumulated losses	(291,984)	(110,726)	(402,710)
Total equity	3,129,096	(110,726)	3,018,370

There was no impact on the consolidated statement of cash flow for 2018 and 2019, and there is no impact on the consolidated statement of profit or loss for 2019.

In addition, certain comparative figures have been reclassified in the 2020 Financial Statements where appropriate to conform with the presentation in the 2020 Financial Statements as summarised in the table below.

	As previously reported	Reclassifications	Reclassified
		(AED'000)	
<i>Consolidated statement of financial position as at 31 December 2019</i>			
Cash and balances with central banks	5,808,927	43,067	5,851,994
Other assets	994,831	8,980	1,003,811
Other liabilities	(1,513,253)	(52,047)	(1,565,300)

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "Terms and Conditions of the Notes" or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below.

In this Base Prospectus, all references to:

- **dirham** and **AED** are to the lawful currency of the UAE;
- **LBP** are to the lawful currency of Lebanon; and
- **U.S. dollars**, **U.S.\$** and **\$** refer to United States dollars and references to a **billion** are to a thousand million.

The Group prepares its financial statements in dirham. The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00.

Certain definitions

In this Base Prospectus, unless otherwise indicated, all references to:

- **Basel II** and/or **Basel III** are to the reforms to the international regulatory capital framework issued by the Basel Committee;
- **Basel Committee** are to the Basel Committee on Banking Supervision;
- **ECL** are to the expected credit loss as per IFRS 9; and
- **IFRS 9** are to the International Financial Reporting Standard 9 relating to Financial Instruments.

Rounding

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

Presentation of APMs

In this Base Prospectus, the Group uses the following metrics in the analysis of its business and financial position, which the Group considers to constitute Alternative Performance Measures (**APMs**) as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the **ESMA Guidelines**). For further information, see "*Selected Financial Information*".

Metric	Definition and method of calculation	Rationale for inclusion
Net interest margin	Net interest income divided by average total assets. Average total assets is calculated as a simple average of the opening and closing balances for the relevant year / period.	Performance measure. A positive figure denotes that the Bank's returns on interest earning assets exceed its interest expenses.
Net loans/total assets	Net loans and advances divided by total assets.	Liquidity measure. A high percentage indicates that the Bank is highly leveraged and its liquidity is low.
Customers' deposits/total assets	Customers' deposits divided by total assets.	Liquidity measure. The ratio indicates the percentage of the Bank's total assets that are funded by customer deposits. The higher the ratio the lesser the Bank's reliance on other funding sources other than customer deposits.
Net advances to total deposits ratio	Net loans and advances divided by customers' deposits. Calculated in accordance with UAE Central Bank regulations.	Liquidity measure. The loan to deposit ratio is used to assess the liquidity position of the Bank. A ratio of less than one implies that the Bank has relied on funds deposited by customers to make loans and advances. A ratio of more than one implies that the Bank has extended loans and advances from funds borrowed by it in addition to deposits.
Liquid assets ratio	Total high quality liquid assets divided by total liabilities. Calculated in accordance with UAE Central Bank	Liquidity measure. A higher percentage indicates a stronger liquidity position.

	regulations.	
Cost to income ratio	Total operating cost divided by total gross operating income (excluding provisions).	Performance measure. A lower percentage indicates that operating expenses are low relative to operating income.
Advances to stable resources ratio (ASRR)	Gross amount of loans and advances divided by total stable resources, calculated in accordance with UAE Central Bank regulations.	Liquidity measure. A higher percentage indicates a weaker liquidity position.
Return on assets	Net profit for the year / period divided by average total assets. Average total assets is calculated as a simple average of the opening and closing balances for the relevant year / period.	Performance measure. The ratio shows how many AED of earnings the Bank derives from each AED of assets it controls.
Return on equity	Net profit for the year / period divided by average total equity. Average total equity is calculated as a simple average of the opening and closing balances for the relevant year / period.	Performance measure. The ratio is a measure of the profitability of the Bank's business in relation to the book value of shareholders' equity, also known as net assets or assets minus liabilities. The ratio is a measure of how well the Bank uses shareholders' equity to generate earnings growth.
Non-performing financings ratio	Total non-performing loans divided by gross amount of loans and advances.	Asset quality measure.
Non performing financings provisions ratio	Total impairment provision (including the portfolio provision for risk inherent in the Bank's portfolio) divided by total non-performing loans.	Asset quality measure. The ratio shows total provisions which the Bank has built in respect of its non-performing loans.

These APMs have not been audited and are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of the Group's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Group's liquidity.

PRESENTATION OF OTHER INFORMATION

In this Base Prospectus, unless otherwise indicated, all references to:

- **Board** are to the board of directors of the Bank as described in "*Management and Employees—Board of Directors*"
- **Senior Management** are to the senior management of the Bank as described in "*Management and Employees—Other Senior Management*";
- **UAE** are to the United Arab Emirates; and
- **United States** are to the United States of America.

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

Presentation of UAE Statistical Information

The statistical information in the section titled "*Risk Factors*" has been reproduced from a number of different identified sources. All statistical information in such sections may differ from that produced by other sources for a variety of

reasons, including the use of different definitions and cut-off times. Gross domestic product (**GDP**) data is not final and may be subject to revision in future periods and certain other historical GDP data may also be subject to final adjustment.

No incorporation of website information

The Group's website is <https://www.bankofsharjah.com/en>. Other than in relation to the documents which are deemed to be incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*") and in relation to the documents available for inspection (see "*General Information—Documents Available*"), the information on this website or any other website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Prospectus, and investors should not rely on it.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

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

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

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

NOTICE TO RESIDENTS OF THE STATE OF QATAR

Any Notes to be issued under the Programme will not be offered, sold or delivered, directly or indirectly, in Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in Qatar. The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of Qatar.

NOTICE TO RESIDENTS OF MALAYSIA

Any Notes to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Notes in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b), Part I of 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 Capital Market and Services Act 2007 of Malaysia as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer or the Bank and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

IMPORTANT – EEA RETAIL INVESTORS

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

IMPORTANT – UK RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its

own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

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

Unless otherwise stated in the applicable Final Terms, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

FORWARD LOOKING STATEMENTS

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

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus.

Without prejudice to any requirements under applicable laws and regulations (including, without limitation, the Central Bank of Ireland's and Euronext Dublin's respective rules and regulations regarding ongoing disclosure obligations), each of the Issuer and the Bank expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

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RISK FACTORS

Each of the Issuer and the Bank believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme or under the Deed of Guarantee, respectively. All of these factors are contingencies which may or may not occur.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuer and the Bank believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of either the Issuer or the Bank to pay interest, principal or other amounts on or in connection with any Notes or to pay any amount in respect of the Deed of Guarantee, respectively, may occur for other reasons and the Issuer and the Bank make no representation that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this section.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH NOTES ISSUED UNDER THE PROGRAMME

The Issuer has a limited operating history and no material assets

The Issuer is an exempted company with limited liability, incorporated under the laws of the Cayman Islands on 27 April 2015 and has no operating history, other than the issuance of Notes under the Programme and the issuance of U.S.\$500,000,000 3.374 per cent. guaranteed notes which matured in 2020 (the **2015 Notes**). The Issuer has not as at the date of this Base Prospectus, and will not, engage in any business activity other than the issuance of Notes under this Programme, the 2015 Notes, the issuance of other debt securities, the issuance of shares in its capital and other activities incidental or related to the foregoing. The Issuer is not expected to have any income except payments received from the Bank in respect of loans, which will be the only material source of funds available to meet the claims of the Noteholders. As a result, the Issuer is subject to all of the risks to which the Bank is subject, to the extent that such risk could limit the Bank's ability to pay the relevant amounts to the Issuer in full and on a timely basis.

As the Issuer is a Cayman Islands company, it may not be possible for Noteholders to effect service of process outside of the Cayman Islands.

FACTORS THAT MAY AFFECT THE BANK'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES AND/OR THE DEED OF GUARANTEE

Risks relating to the Bank and the Group

In the course of its business activities, the Group is exposed to a variety of risks, the most significant of which are liquidity risks, credit risks, operational risks and market risks. Whilst the Group believes it has implemented appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks, or predict unexpected market events that are beyond the control of the Bank, could be greater than anticipated and could result in a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility, which may materially and adversely affect the Group's business, financial condition and result of operations

The outbreak of communicable diseases on a global scale may affect investment sentiment and result in sporadic volatility in global markets. The coronavirus known as COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019 and spread to most countries around the world. In March 2020, the United States, certain EU Member States and countries in the Middle East imposed varying levels of entry and other restrictions, which aimed to reduce in-person interactions. These measures, while designed to slow the spread of COVID-19, resulted in significant reductions in economic activity globally. While a number of restrictive measures have been reduced across numerous countries, it is currently unclear how long existing restrictions will remain in place, the duration of possible future restrictions and what their ultimate impact will be on global and local economies.

The curfews and lockdown measures in the UAE and certain other markets and slower economic activity had a significant adverse impact on the Group which could continue in the future. The impact of non-oil GDP contraction, lower oil prices and lockdown measures increased the level of uncertainty around cash flows for a certain number of the Group's customers.

The COVID-19 pandemic is on-going and there is a significant risk of recurring outbreaks in affected countries and possible future mutations in the virus may prove difficult to contain. The extent to which the COVID-19 pandemic impacts the Bank's business, results of operations, and financial condition, as well as the Group's regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. The Group may be forced to consider adjustments to specific elements of its operations and/or customer exposures including loan tenor extensions or adjustments to loans and credit card instalments. Any material change in the financial markets, the UAE economy or the global economy as a result of these events or developments may have a material adverse effect on the Group's business, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee. It should be noted that the impact of the COVID-19 pandemic, including actions taken to contain it, might heighten many of the other risks noted within these Risk Factors, including through increasing both the probability of negative impact as well as the severity of such impact.

The Group is subject to political and economic conditions in Sharjah, the UAE and the Middle East

Investors should note that the Bank is incorporated in, and the Group has the majority of its material operations and assets located in, the UAE. Accordingly, its business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East.

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

The Group's business is, and will continue to be, affected by economic and political developments in or affecting the UAE and the Middle East and North Africa (**MENA**) region and investors' reactions to developments in one country may affect securities of issuers in other markets, including the UAE. As at the date of this Base Prospectus, the performance of global debt, equity and commodity markets has been volatile, reflecting the ongoing volatility in the macro-economic climate which has had, and which continues to have, a material adverse effect on the world's economies, including the economies of the UAE and other states in the Gulf Cooperation Council (**GCC**) (see "*—The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility, which may materially and adversely affect the Group's business, financial condition and result of operations*").

The UAE's economy is highly dependent upon oil revenue. According to data published by the Organization of Petroleum Exporting Countries (**OPEC**), as at 31 December 2020, the UAE had approximately 6.9 per cent. of the world's proven crude oil reserves (giving it the fifth largest oil reserves in the world) (source: OPEC Annual Statistical Bulletin 2020). According to preliminary data produced by the Federal Competitiveness and Statistics Authority (the **FCSA**), crude oil and natural gas accounted for 25.8 per cent. of the UAE's GDP in 2019 and petroleum exports made up 20.9 per cent. of the total value of the UAE's exports (including re-exports). According to the OPEC website (https://www.opec.org/opec_web/en/data_graphs/40.htm), the OPEC reference basket price has fluctuated significantly in recent years. Since July 2014, when the monthly average OPEC reference basket price per barrel was U.S.\$107.9, crude oil prices fell sharply by approximately 75 per cent. to a monthly average price of U.S.\$26.5 in January 2016. Crude oil prices then recovered slightly, with the monthly average price being U.S.\$66.48 per barrel in December 2019.

The volatility in oil prices since 2014 has affected the economies of the oil-revenue dependent GCC states, with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen between 2016 and 2018. Government fiscal deficits have resulted in weakened net asset positions, larger external financing needs and continued lower government spending. This has resulted in the downgrading, or placing on "creditwatch", of a number of GCC sovereigns including, particularly, the Kingdom of Bahrain and the Sultanate of Oman.

The OPEC reference basket price fell in the first half of 2020. In early March 2020, OPEC officials proposed a plan to the members of OPEC and other non-OPEC member countries, including Russia, to cut global production by 1.5 per cent. No agreement was reached, ending a three-year partnership between OPEC and major non-OPEC oil exporters. This also resulted in 'OPEC plus' failing to extend the agreement of reducing global oil supply by 2.1 million barrels per

day that was set to expire at the end of March 2020. In March 2020, Saudi Arabia announced that it would raise oil output and discount its oil in April 2020. In early April 2020, 'OPEC plus' announced that it had reached an agreement to cut production by 9.7 million barrels a day, however, this action failed to support sufficiently the oil market with prices falling in the days following that announcement. As a result of the above factors and the COVID-19 pandemic weakening the demand for oil, the OPEC reference basket price fell significantly and in April 2020, the monthly OPEC reference basket price was U.S.\$17.64. Furthermore, certain oil prices turned negative during April 2020 (with the West Texas Intermediate benchmark falling as low as minus U.S.\$37.63 a barrel), as weakened demand as a result of the COVID-19 pandemic led to buyers being paid to take oil due to storage capacity concerns. Since April 2020, the monthly OPEC reference basket price has shown signs of recovery, albeit in a non-linear manner. In 2021, international oil prices generally continued to recover, with the monthly average OPEC reference basket price increasing from U.S.\$54.38 in January 2021 to U.S.\$82.11 in October 2021 and decreasing marginally to U.S.\$80.37 in November 2021.

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

- the impact on global economic activity and energy demand as a result of the COVID-19 pandemic;
- 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.

Additionally, in the UAE, the significant fiscal reforms implemented by the federal government in response to the low oil price environment since 2015 have had, and are expected to continue to have, a transformative effect on the UAE economy. The federal government has scaled back capital transfers to government-related entities, cut government investment, raised electricity and water tariffs and removed fuel subsidies.

If the prevailing low international prices for hydrocarbon products are sustained for a significant period of time into the future, this could have a significant adverse effect on the UAE's economy which, in turn, could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Libya, the Republic of Yemen, the Republic of Iraq (Kurdistan), Syria and Palestine.

This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and has given rise to increased political uncertainty across the region. The UAE is a member of a Saudi Arabian led coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. Additionally, in June 2017, a number of MENA countries including the UAE, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the Arab Republic of Egypt severed diplomatic relations with the State of Qatar, citing the State of Qatar's alleged support for terrorism and accusing the State of Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans. In January 2021, Saudi Arabia, the UAE, Bahrain and Egypt reached an agreement with the State of Qatar to resolve the dispute between the countries and restore ties. However, it remains uncertain at this stage how the restoration of such ties will impact the political and economic environments in the region or emerging markets more generally.

These situations have caused significant disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. Continued instability affecting the countries in the MENA region could adversely impact the UAE although to date there has been no significant impact on the UAE. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance

can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur.

Furthermore, the Bank's subsidiary, Emirates Lebanon Bank S.A.L. (**Emirates Lebanon Bank**), has been adversely impacted by political, economic and social instability in Lebanon since October 2019. In order to protect the Lebanese banking system and to mitigate risk, Lebanese banks have reviewed the limits on withdrawing U.S. dollars and restricted all international outgoing transfers to basic necessities. In addition, on 4 December 2019, the Central Bank of Lebanon issued a new circular which requires Lebanese banks to impose new caps on interest rates on deposits and pay depositors half the interest due on foreign currency holdings in Lebanese pound. With a significant debt to GDP ratio, Lebanon's external debt has risen significantly. The sovereign credit risk rating started to be consecutively downgraded by all major rating agencies to reach the level of default on 7 March 2020 when the Lebanese government announced that it would withhold payment on the bonds due on 9 March 2020, followed by another announcement on 23 March 2020 for the discontinuation of payments on all of its U.S. dollars denominated Eurobonds. This has led to further deterioration in the market value of Lebanese government bonds to reach junk bond status. The market value of other financial assets has also been adversely impacted.

Furthermore, sharp fluctuations in the foreign currency exchange rate and the creation of parallel markets with a wide range of price variances, witnessed in comparison to the official peg of LBP 1,507.50 to the U.S. dollar. Starting in 2020, the limitation on U.S. dollars evolved whereby:

- electronic U.S. dollars, being the pre-crisis dollar deposits in commercial banks, are restricted and non-transferable, are subject to severe capital controls and can only be withdrawn in Lebanese pounds at the e-board rate and in limited quantities, and may only be transferred within the domestic banking systems; and
- the U.S. dollar banknote and new dollar deposits are non-restricted and transferable. Most businesses need to access the U.S. dollar in order to import consumption and capital goods.

See further "*Financial Review—Hyperinflation—Sensitivity of Financial Statements to LBP exchange rates*".

As a result of this instability, the Lebanese economy has been deemed a hyperinflationary economy and the 2020 Financial Statements and 2021 Interim Financial Statements have consequently reflected adjustments including an increase in expected credit losses (and respective staging) as further discussed in "*Presentation of Financial and Other Information—Hyperinflation*" and "*Financial Review—Hyperinflation*".

There can be no assurance that either the economic performance of, or political stability in, the countries in which the Group currently operates, or may in the future operate, can or will be sustained. To the extent that economic growth or performance in these countries or the MENA region as a whole slows or begins to decline, or political conditions deteriorate materially in any of those countries, it could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

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

The Group is subject to the laws, regulations, administrative actions and policies of the UAE and each other jurisdiction in which it operates. These regulations may limit the Group's activities and changes in supervision and regulation, particularly within the UAE, could affect the Group's business, the products or services offered, the value of its assets and its financial condition.

In particular, the Group has been and expects to continue implementing Basel III related guidelines issued by the UAE Central Bank. As at the date of this Base Prospectus, the UAE Central Bank required UAE banks to maintain a capital adequacy ratio of 10.5 per cent. (see further "*The United Arab Emirates Banking Sector and Prudential Regulations—Recent Trends in Banking—Capital Adequacy*"). As a result of hyperinflation in Lebanon and its consequential impact on the financial position of Emirates Lebanon Bank and the Group (see further "*—The Group is subject to political and economic conditions in Sharjah, the UAE and the Middle East*"), the Group's capital adequacy ratio has fallen from 11.59 per cent. as at 31 December 2019 to 10.71 per cent. as at 31 December 2020. As at 30 September 2021, the Group's capital adequacy ratio was 10.81 per cent. Furthermore, the assets and liabilities of Emirates Lebanon Bank are converted into AED and included in the Group's 2021 Interim Financial Statements and 2020 Financial Statements at the official exchange rate of U.S.\$1 = LBP1,507.5. As noted above (see "*—The Group is subject to political and economic conditions in Sharjah, the UAE and the Middle East*"), parallel U.S. dollar exchange markets have developed, resulting in an exchange rate of U.S.\$1 = LBP 17,350 as at 30 September 2021 and U.S.\$1 = LBP 8,412

as at 31 December 2020 and as such, the Group's total assets, total liabilities, net profit and equity are sensitive to the exchange rate applied (see further "*Financial Review—Hyperinflation—Sensitivity of Financial Statements to LBP exchange rates*"). Discrepancies resulting from the difference in exchange rate applied may have a material effect on the Group's financial condition and results of operations and, depending on the exchange rate applied in future periods, could cause the Group to fall below the UAE Central Bank's capital adequacy requirements.

In addition, the Bank is subject to the prudential supervision and regulation of the UAE Central Bank and submits monthly, quarterly and annual reports and financial statements to the Banking Supervision and Examination Department of the UAE Central Bank. The UAE Central Bank has significant discretion in its review and assessment of such reports and financial statements, including the length of time required to conduct such review and assessment. As is the case with all UAE banks, as part of its review and assessment of the Group's financial statements, the UAE Central Bank may require the Bank to make changes or adjustments to such financial statements, which may delay the final approval of the Group's financial statements by the UAE Central Bank. Any delay in the approval of the Group's financial statements by the UAE Central Bank may in turn delay the publication by the Bank of the relevant financial statements (which occurred in relation the Group's financial statements as at and for the financial years ended 31 December 2018 and 31 December 2020), which could affect the Group's activities (including the suspension from trading of the Bank's shares, as was the case during the second quarter of 2019). Future changes in regulatory, fiscal, taxation or other policies which have a material adverse effect on the Group's businesses, results of operations, financial condition and prospects cannot be predicted and are beyond the control of the Group.

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

Credit risks arising from adverse changes in the credit quality and recoverability of loans, financing receivables, advances and amounts due from counterparties are inherent in the business of the Group. Credit risks could arise from a deterioration in the credit quality of specific counterparties of the Group, from a general deterioration in local or global economic conditions or from systemic risks within the financial systems, all of which could affect the recoverability and value of the assets of the Group and which could cause an increase in the provisions for the impairment of its assets and other credit exposures. In common with other banks in the GCC, as a result of adverse economic and political developments in recent years, including the recent COVID-19 pandemic, adverse changes in customer confidence levels, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, among other factors, have impacted the Group's credit portfolio. See further "*—The Group is subject to political and economic conditions in Sharjah, the UAE and the Middle East*" and "*The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility, which may materially and adversely affect the Group's business, financial condition and result of operations*".

The Group has a conservative provisioning policy; the Group's non-performing financings provisions ratio in 2020 was 71.65 per cent. compared to 69.16 per cent. in 2019 and 94.1 per cent. in 2018. (See also "*Description of the Group—Loan Classification and Impairment Policy*").

The Group regularly reviews its credit exposures and has from time to time had to re-price portions of its loan portfolio and restructure some of its loans under stress. Events of default may occur and the Group's level of provisioning is determined by internal analysis and assumptions by management. However, these internal analyses and assumptions may give rise to inaccurate predictions of credit performance. The occurrence of these events has affected, and could continue to have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

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

As at 31 December 2020, the Group's non-performing financings ratio was 12.68 per cent. As at 31 December 2020, the Group had AED 2,713.2 million of impaired loans and advances and, as at 31 December 2020 carried an impairment provision of AED 1,944.0 million to cover potential loan losses. In accordance with IFRS, the Group is required to reflect the impairment calculated as an upfront charge to the income statement. This will be written back to the income statement as and when interest or principal (as appropriate) on the debt is recovered. However, the actual loan losses could be materially different from the loan impairment provisions. The Bank believes that the levels of impairment provisions for impaired loans and loans under stress as at 31 December 2020 are sufficient to cover the Group's potential

loan losses as at that date. As at 31 December 2020, these provisions covered 71.65 per cent. of the Group's impaired assets, compared to 69.16 per cent. as at 31 December 2019.

The Group's net impairment loss on financial assets in 2018 increased from AED 33.7 million as reported in the Group's preliminary results published on 16 February 2019 to AED 251.8 million as reported in the Group's audited consolidated financial statements as at and for the year ended 31 December 2018, due to additional provisions requested by the UAE Central Bank on accounts classified as stages 1 and 2 under IFRS 9. Such provisions would have been reflected as an IFRS 9 equity reserve and recorded as an appropriation from retained earnings under the UAE Central Bank's IFRS 9 implementation guideline. However, the UAE Central Bank required that these additional provisions be reflected in the Group's consolidated statement of profit or loss instead, which had a negative impact on the Group's net profit for the year in 2018. No assurance can be given that the UAE Central Bank will not request additional provisions to be made again in the future.

If the Group fails to appropriately restructure or control the levels of, and adequately provide for, its impaired loans and loans under stress, the Group may need to make further impairment charges which may have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

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

The practice of pledging assets (such as real estate assets) to obtain a bank loan is subject to certain limitations and administrative restrictions under UAE law. In particular, such security may not be enforced without a court order. Accordingly, the Group may have difficulty foreclosing on collateral (including any real estate collateral) or enforcing guarantees or other third party credit support arrangements when debtors default on their loans.

In addition, even if such security interests are enforceable in UAE courts, the time and costs associated with enforcing security interests in the UAE may make it uneconomic for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its loan losses. As at 31 December 2020, the Group's gross amount of loans and advances was AED 21.4 billion against which the Group has estimated the fair value of collateral held as security, as at 31 December 2020, to be AED 13 billion.

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

Further, Presidential Resolution No. 3/4/7135 Concerning Cheques dated 23 October 2012 has granted immunity to UAE nationals in respect of Article 401 of Federal Law No. 3 of 1987 (the **Penal Code**). As a result, UAE nationals are not subject to criminal prosecution under the Penal Code for issuing cheques which are not honoured. Further, on 29 December 2016, the UAE's new bankruptcy law (decree by Federal Law No. 9 of 2016) (the **UAE Bankruptcy Law**) came into force, which provides for a stay on criminal proceedings if a protective composition or restructuring scheme is initiated by the person who issued the dishonoured cheque and the dishonoured cheque was issued before commencement of rescue proceedings. This provision applies to non-UAE nationals. As a result, the Group would be likely to face difficulties in enforcing loan repayments for loans supported by way of post-dated cheques.

The occurrence of any of the foregoing could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

The Group is subject to market risks

Market risk is defined as the risk that changes in market prices will affect the Group's income and/or the value of a financial instrument. The most significant market risks to which the Group is exposed are interest rate, equity price, foreign exchange rate and credit spread risks associated with its trading, investment and asset and liability management activities. Changes in interest rate levels, yield curves and spread may affect the interest rate margin realised between the Group's lending and investment activities and its borrowing costs, and the values of assets that are sensitive to interest rate and spread changes. Changes in equity prices may affect the values of the Group's investment and trading portfolios. Changes in foreign exchange rates may affect the values of assets and liabilities denominated in foreign currencies and the income from foreign exchange dealing. The Group carries out regular stress tests under various anticipated scenarios

however it is difficult to predict changes in economic and market conditions accurately and to anticipate the effects that such changes could have on the Group's financial performance and business operations.

Whilst the Group believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks (please see "*Description of the Group—Risk Management*"), investors should note that a worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility, further economic disruption and, as a result, could (irrespective of steps currently taken to adequately control these risks) have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

The Group is subject to liquidity risks

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It includes the risk that it may be unable to fund assets at appropriate maturities and rates, liquidate assets at reasonable prices and in appropriate timeframes and meet obligations as they become due.

An inability on the Group's part to access funds or to access the markets from which it raises funds may put the Group's positions in liquid assets at risk and lead to the Group being unable to finance its operations adequately. A disruptive credit environment may compound the risk that the Group will not be able to access funds at favourable rates. These and other factors could also lead creditors to form a negative view of the Group's liquidity, which could result in less favourable credit ratings, higher borrowing costs and reduced access to funding. In addition, because the Group receives a significant portion of its funding from deposits, the Group is subject to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain. Also, under certain market conditions, the Group could be unable to raise the cash required to pay the Notes when due. Furthermore, in circumstances where the Group's competitors have ongoing limitations on their access to other sources of funding such as wholesale market derived funding, the Group's access to funds and its cost of funding may also be adversely affected.

In common with other banks in the UAE, many of the Group's liabilities are demand and time deposits, whereas it has medium and long-term assets (such as loans and mortgages), which may cause liquidity strain.

The effects of the COVID-19 pandemic on the liquidity and funding risk profile of the global and UAE banking system continue to evolve and remain under evaluation by governments globally as they work towards providing relief and mitigants to the adverse effects of the crisis. The key risks on the UAE banking system include:

- sustained periods of low oil prices combined with lower economic output which may lead to constraints on the UAE banking sector's funding capabilities and liquidity management; and
- weak credit outlook which may have a negative impact on lending and which may further contribute to a slowdown in economic growth.

If a substantial portion of the Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity or the Group fails to refinance some of its large short- to medium-term borrowings, the Group may need to access more expensive sources to meet its funding requirements. No assurance can be given that the Group will be able to obtain additional funding on commercially reasonable terms as and when required, or at all.

All of the above factors relating to liquidity risk could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

The Group is subject to concentration risks

Concentrations in the financing and deposit portfolio of the Group subjects it to risks from default by its larger borrowers and from withdrawal of large deposits. The financing and receivables portfolio shows borrower concentration.

In 2020, Investment Banking reported a loss whereas the Commercial Banking business line reported total operating income of AED 839.1 million. The Group may therefore be at greater risk than certain other banks in the UAE, whose revenue base is more diversified. Within the Commercial Banking business line, 22 per cent. of the Group's loans and advances were to corporate customers in the trading sector, 21 per cent. to the services sector, 14 per cent. to the manufacturing sector and 6 per cent. to the construction sector in 2020.

As at 31 December 2020, the Group's top 10 borrower groups (being customers from within the same group of companies) accounted for 33 per cent. of the Group's net loans and advances, although the Bank believes that within

those borrower groups, there is significant risk diversity across industry and economic sectors as many of the Group's largest customers have discrete and separate business activities which span the entirety of the UAE's economy. In addition, as at 31 December 2020, the Group's top 10 depositors accounted for 43.11 per cent. of the Group's customers' deposits (with the largest single depositor comprising 16 per cent. of customers' deposits).

Any downturn in the fortunes of any of the Group's depositors or borrowers, or in the sectors in which they operate, could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

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

Although the majority of the Group's funding is obtained from its deposits, any shortage of liquidity in markets that are sources of funding for the Group could contribute to an increase in the Group's marginal borrowing costs. Similarly, any increase in interbank reference rates could also affect the value of certain assets that are subject to changes in applicable interest rates (see note 40(b)(i) to the 2020 Financial Statements for the Group's interest sensitivity position as at 31 December 2020). While the Group enjoys a largely hedged position with respect to repricing risk in its assets and liabilities portfolios, if interbank reference rates rise, the interest payable on the Group's floating rate borrowings increases. The Group's marginal cost of funding may increase as a result of a variety of factors, including further deterioration of conditions in the financial markets or further loss of confidence by and between financial institutions. If the Group fails to pass on such increase in funding cost to its customers in a timely manner or at all due to market, competitive or other conditions, (which may be the case in respect of modest rises in such funding costs) it could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

Neither the Notes nor the Bank's obligations in respect of the Programme Documents will be guaranteed by the Government or by any third party

As at the date of this Base Prospectus, the Government of Sharjah owned approximately 17.16 per cent. of the issued and outstanding shares of the Bank through Sharjah Asset Management LLC (**Sharjah Asset Management**).

Like any other shareholder, the Government of Sharjah has no legal obligation to provide additional funding for any of the Bank's future operations. The Government of Sharjah is not providing a guarantee of any of the Bank's obligations in respect of the Programme Documents, nor is the Government of Sharjah under any obligation to purchase any of the Bank's liabilities or guarantee any of the Bank's obligations, and Noteholders therefore do not benefit from any legally enforceable claim against the Government of Sharjah.

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

The Group faces competition in all of its business areas from domestic and foreign banks operating in the UAE. As at 30 September 2021, there were 48 commercial banks registered in the UAE (*source: UAE Central Bank*).

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

Further, the UAE could be viewed as an over-banked market, even by regional standards, with 48 different commercial banks (comprising 21 locally incorporated commercial banks and 27 foreign commercial banks) licensed to operate inside the UAE as at 30 September 2021 (excluding the Dubai International Financial Centre (the **DIFC**)) (*source: UAE Central Bank*), serving a population estimated to be in the region of approximately 9.3 million people at the end of 2020 (*source: FCSA*). There has traditionally been little impetus for consolidation. However, the merger of the National Bank of Abu Dhabi P.J.S.C. and First Gulf Bank PJSC, which was effected on 30 March 2017, has stimulated further movement towards greater consolidation amongst UAE banks. This has already been observed in the three-way merger between Abu Dhabi Commercial Bank PJSC, Al Hilal Bank P.J.S.C. and Union National Bank P.J.S.C. which was

completed on 1 May 2019. In addition, in January 2020, Dubai Islamic Bank PJSC completed the acquisition of Noor Bank PJSC. While such continued consolidation would increase the level of concentration in the domestic banking sector, they would also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development. See further "*The United Arab Emirates Banking Sector and Prudential Regulation—Characteristics of the Banking System—Historic lack of consolidation*".

The banking market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation (the **WTO**), the GCC or any other similar entities, it is likely to lead to a more competitive environment for the Group and other domestic financial institutions. For further information on the UAE's membership of the WTO, see "*The United Arab Emirates Banking and Prudential Regulation Sector*". If the Group is unable to compete successfully, it could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

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

The Group's ability to maintain and grow its business will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The Group is likely to face challenges in recruiting qualified personnel to manage its business. In common with other banks in the UAE, the Group experiences a shortage of qualified employees residing in the UAE, which requires it to recruit from outside the UAE. Additionally, if the Group grows, it will be required to continue to increase the number of its employees.

For the years ended 31 December 2018, 2019 and 2020, the Group experienced what it regards as relatively low employee attrition rates of approximately 4 per cent., 2.5 per cent. and 1 per cent. respectively. The Bank is guided in its human resources decisions by the UAE federal government's (the **Federal Government**) minimum threshold for Emirati employees, as set out in the UAE federal policy on Emiratisation, promulgated by UAE Cabinet Decree number 3/10/267 of 2015, dated 25 October 2015 (the **Emiratisation Circular**). If the Bank is not able to meet or exceed the minimum threshold for Emirati employees set out in the Emiratisation Circular, it may be subject to legal penalties, calculated in accordance with the Emiratisation Circular.

While the Group believes that it has effective staff recruitment, training and incentive programmes in place, its failure to recruit, train and/or retain necessary personnel or the shortage of qualified UAE nationals or other nationals prepared to relocate to the UAE, could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

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

The Group's employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients' funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter employee misconduct, and the precautions the Group takes to detect and prevent misconduct may not be effective in all cases (see "*Description of the Group—Risk Management—Operational risk*"). There can be no assurance that measures undertaken to combat employee misconduct will be successful. Such actions by employees could expose the Group to financial losses resulting from the need to reimburse clients, co-investors or other business partners who suffered loss or as a result of fines or other regulatory sanctions, and could damage the Group's reputation, which would in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

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

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

The Group's risk management techniques may not be fully effective or consistently implemented in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Group's methods of managing risk are based upon its use of historical market behaviour. These methods may not always predict future risk exposures, which could be significantly greater than such historical measures indicate. Other risk management practices, including "know your customer" (KYC) practices, depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to the Group.

There is a lack of publicly available information and financial data regarding debtors' credit and payment histories in the GCC (primarily due to borrowers' limited credit histories and inability (and, in certain cases, unwillingness) to provide the quality and quantity of information sought by lenders and the fact that credit bureaus in the UAE are in their infancy). Although the establishment of the Al Etihad Credit Bureau has improved the quality of credit information available to UAE banks, the credit bureau remains in a nascent stage. See further *"The United Arab Emirates Banking Sector and Prudential Regulations—Recent Trends in Banking—Establishing a Credit Bureau in the UAE"*. Accordingly, the Group, in common with other UAE banks, is frequently required to make risk management assessments in the absence of the quality and quantity of information available to lenders in other, more developed market. As such practices are less developed in the GCC than they are in other markets and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up-to-date or properly evaluated in all cases.

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

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

Notwithstanding the above, the Bank believes that its financial and risk management systems are sufficient to ensure compliance with the requirements of the Central Bank of Ireland as a company with securities listed on the regulated market of Euronext Dublin.

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

The Group operates in businesses that are highly dependent on information systems and technologies and relies heavily on its financial, accounting and other data processing systems. In addition, the Group offers its products and services to customers through remote access banking, including online banking and automated teller machines (ATMs). If any of these systems do not operate properly or are disabled, or become the target of fraudulent activity, the Group could suffer financial loss, a disruption of its business, liability to clients, regulatory intervention and reputational damage.

In addition, the Group's current information systems and technologies may not continue to be able to accommodate the Group's growth unless the Group continues to invest in upgrading its operational systems. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on the Group's business. The cost of improving or upgrading such systems and technologies may be substantial and the cost of maintaining such systems is likely to increase from its current level.

The Group's business operations and business processes are vulnerable to damage or interruption from fires, floods, extreme weather, power loss, cyber-attacks, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters or other extreme events. These systems may also be subject to criminal damage, vandalism, theft and similar wrongdoing. If there is a disaster or other disruption and the Group's disaster recovery plans are found to be inadequate for any reason (including, for instance, due to the Group's mainly single country operation), there could be an adverse impact on the Group's business, results of operations, financial condition and prospects.

Further, the Group relies on third-party service providers for certain aspects of its business including but not limited to Misys, CR2 Limited, Etisalat, Reuters, Bloomberg, SWIFT, Bankers Almanac and Accuity. Any interruption or

deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of the Group's operations and could impact its reputation. If any of the foregoing were to occur, it could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Bank will be unable to comply with its obligations as a company with securities listed on the regulated market of Euronext Dublin.

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

The Bank's credit rating is important to its business. As at the date of this Base Prospectus, the Bank has been assigned a long-term rating of BBB+ (stable outlook) by Fitch and BBB+ (stable outlook) from Capital Intelligence Ltd. (**Capital Intelligence**). On 24 November 2021, Fitch downgraded the Bank's viability rating from b- to ccc+.

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 rating 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 Group;
- increase its funding costs;
- limit its access to the capital markets; 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 material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Ratings may not reflect the potential impact of all risks related to structure, market, the risk factors discussed in this section and others that may affect the value of the Notes.

If the Group fails to comply with applicable anti-money laundering, anti-terrorism financing, Office of Foreign Assets Control (OFAC) sanctions and other related regulations, it could face fines and damage to its reputation

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

Foreign exchange movements may adversely affect the profitability of the Group

The Bank maintains its accounts, and reports its results, in dirham. The dirham has been pegged to the U.S. dollar since 22 November 1980 and remains pegged as at the date of this Base Prospectus. Additionally, the following oil producing GCC countries have their currencies pegged to the U.S. dollar as at the date of this Base Prospectus: the Kingdom of Saudi Arabia; the Sultanate of Oman; the Kingdom of Bahrain; and the State of Qatar. In response to the volatility of oil prices internationally through 2015, oil producing countries with currencies that had been traditionally pegged to the U.S. dollar, faced pressure to de-peg and, in certain cases, did de-peg their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015, which was followed on 21 December 2015 by the removal of the U.S. dollar peg against the Azerbaijani manat.

There is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region. While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a de-valuation against the U.S. dollar immediately post-removal of the peg. Given the levels of exposure amongst regional financial institutions to other pegged currencies, it is also likely that such currency de-valuation(s) would pose a systemic risk to the regional banking systems in the UAE and across the wider GCC, thereby impacting the open cross-currency positions held by regional banks, including the Group.

While the UAE Central Bank has re-iterated its intention to retain the dirham peg against the U.S. dollar, there can be no assurance that the dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Group's result of operations and financial condition. Additionally, any such de-pegging either in the UAE or across the wider region, particularly if such de-pegging is accompanied by the anticipated currency de-valuations against the U.S. dollar (as described above), could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

Furthermore, as a result of the political, economic and social instability in Lebanon, the Lebanese economy has been deemed a hyperinflationary economy and there have been sharp fluctuations in the LBP to U.S. dollar exchange rate and a parallel market has been created with a wide range of price variances witnessed in comparison to the official peg of LBP 1,507.50 to the U.S. dollar (see further "*The Group is subject to political and economic conditions in Sharjah, the UAE and the Middle East*"). As noted above, parallel markets have developed which amounted to U.S.\$1 = LBP 17,350 as at 30 September 2021 and U.S.\$1 = LBP 8,412 as at 31 December 2020 and as such, the Group's total assets, total liabilities, net profit and equity are sensitive to the exchange rate applied (see further "*Financial Review—Hyperinflation—Sensitivity of Financial Statements to LBP exchange rates*"). Discrepancies resulting from the difference in exchange rate applied could have a material effect on the Group's financial condition and results of operations.

It is difficult to predict changes in economic and market conditions accurately and continued fluctuations in the LBP / U.S. dollar exchange rate may have a material effect on the financial condition of Emirates Lebanon Bank. In turn, this could have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

Tax changes in the UAE may have an adverse effect on the Bank

As at the date of this Base Prospectus, the Bank is not currently subject to corporation tax on its earnings within the UAE. However, investors should be aware that with effect from 1 January 2018, certain of the GCC states (including the UAE) have implemented a VAT regime at a rate of 5 per cent, with the remaining GCC states expected to implement VAT in 2019.

The UAE national legislation implementing this framework agreement was published on 23 August 2017 (UAE Federal Decree Law No. 8 of 2017) and, on 28 November 2017, the UAE Ministry of Finance published accompanying VAT implementing regulations.

On 11 May 2020, the government of the Kingdom of Saudi Arabia announced that the VAT rate in the Kingdom of Saudi Arabia would increase from 5 per cent. to 15 per cent. as of 1 July 2020. Also on 11 May 2020, the UAE Ministry of Finance stated that there were no immediate plans to increase the rate of VAT in the UAE.

The amendment of VAT and/or any future corporation tax regime which may be introduced in the UAE may have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes or its obligations as guarantor under the Deed of Guarantee.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. The Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At any such time, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount or premium (such as Zero Coupon Notes) from their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (including EURIBOR) are the subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

The Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) No 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**) amongst other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the UK Financial Conduct Authority (the **FCA**) or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that an original Reference Rate, such as EURIBOR, and/or any page on which an original Reference Rate may be published (or any other successor service) becomes unavailable or a Benchmark Event otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest (or the relevant component part thereof) could be set by reference to a Successor Rate or an Alternative Reference Rate, with or without the application of an Adjustment Spread and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser, acting in good faith and following consultation with the Issuer and the Bank, or the Issuer and the Bank (acting in good faith and in a commercially reasonable manner), as applicable and without the requirement for the consent or sanction of Noteholders. An Adjustment Spread, if applied, is the spread (which may be positive, negative or zero) or formula or methodology for calculating a spread which (i) in the case of a Successor Rate, is formally recommended or formally provided as an option for parties to adopt, in relation to the replacement of the original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), or (ii) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Issuer and the Bank) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the original Reference Rate, or (iii) (if the Independent Adviser (following consultation with the Issuer and the Bank) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Issuer and the Bank) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate, as the case may be, or (iv) (if the Independent Adviser (following consultation with the Issuer and the Bank) determines that there is no such industry standard) the Independent Adviser (following consultation with the Issuer and the Bank) or the Issuer and the Bank (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate. Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest (or the relevant component part thereof). The use of a Successor Rate or Alternative Reference Rate (including with or without the application of an Adjustment Spread) may still result in any Notes linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Rate of Interest (or the relevant component part thereof) for the relevant immediately following Interest Period may result in the Rate of Interest (or the relevant component part thereof) for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Reset Notes, the application of the previous reset Rate of Interest for a preceding Reset Period, or for the first Subsequent Reset Rate, the application of the Initial Rate of Interest applicable to such Notes on the Interest Commencement Date. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

The above-mentioned risks related to benchmarks may also impact a wider range of benchmarks in the future. Investors in Floating Rate Notes and Reset Notes which reference such other benchmarks should be mindful of the applicable

interest rate fall-back provisions applicable to such Notes and the adverse effect this may have on the value or liquidity of, and return on, any Floating Rate Notes and Reset Notes which reference any such benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes referencing a benchmark.

Risks relating to Subordinated Notes

The Subordinated Notes are subordinated obligations of the Bank

The Bank's obligations under the Deed of Guarantee in respect of the Subordinated Notes rank junior to all Guarantor Senior Obligations and rank *pari passu* with all Guarantor Pari Passu Obligations.

Payments of all amounts by the Bank under the Deed of Guarantee in respect of the Subordinated Notes (and consequently, the corresponding payments by the Issuer under the Subordinated Notes) are conditional upon:

- (a) the Bank being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations; and
- (b) the Bank being capable of making payment of the Guarantor Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Guarantor Senior Obligations and all Guarantor Pari Passu Obligations and still be Solvent immediately thereafter.

A holder of the Subordinated Notes may exercise its enforcement rights in relation to Subordinated Notes only in the manner provided in Condition 10.2. If the Bank was wound up, liquidated or dissolved (or any other analogous action was taken), the relevant liquidator (or analogous insolvency official appointed in relation to the Bank), would apply the assets of the Bank to satisfy all claims of the creditors of the Bank (including depositors (in respect of their due claims) and holders of any instrument issued by, or other obligation of, the Bank which ranks senior to the payment obligations of the Bank under the Guarantor 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 holders of the Subordinated Notes in respect of the Guarantor Obligations. In such a situation, and if any of the Solvency Conditions set out Condition 3.3 are not satisfied, the holders of the Subordinated Notes shall not be entitled to receive any amounts under the Subordinated Notes.

The Subordinated Notes may be redeemed prior to their final maturity date due to the occurrence of a Regulatory Redemption Event

Upon the occurrence and continuation of a Regulatory Redemption Event, the Subordinated Notes may be redeemed, together with any accrued but unpaid interest, in accordance with the Conditions but without the consent of the Noteholders (as more particularly described in Condition 7.5). In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security with a similar rate of return, which may have an adverse effect on the position of such investor. During any period when the Issuer may elect to redeem the Subordinated Notes, the market value of the Subordinated Notes generally will not rise substantially above the Early Redemption Amount. Potential investors should consider re-investment risk in light of other investments available at that time.

Changes to the Basel regulatory framework as implemented in the UAE may have an effect on the Subordinated Notes

The Basel Committee on Banking Supervision (the **Basel Committee**) has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued guidance (the **Basel III Reforms**) on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (**Basel III**).

The Basel III Reforms provide that instruments, such as the Subordinated Notes, which do not contain any contractual terms providing for, at the option of the relevant authority, the writing-off of the nominal amount of such instruments or the conversion of such instruments into ordinary shares upon the occurrence of a Non-Viability Event (as defined below), will, subject to implementation of the Basel III Reforms and to applicable transitional provisions, cease to be eligible to count in full as regulatory capital from 1 January 2013 unless, among other things, the jurisdiction of the relevant bank

has in place laws that: (i) require such instruments to be written-down upon the occurrence of a Non-Viability Event; or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss.

On 23 February 2017, the UAE Central Bank published the "Regulations re Capital Adequacy" (the **Basel III Regulations**) in the Official Gazette issue 612, which were effective from 1 February 2017. The Basel III Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III Reforms, whilst implementing the measures contained in the May 2016 consultation document published by the UAE Central Bank, entitled "Capital Adequacy Regulation" (the **Consultation Document**). The Basel III Regulations are supported by accompanying standards and guidance entitled "Standards for Capital Adequacy of Banks in the UAE" which were published by the UAE Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSN/2020/4980 (the **Accompanying Standards**). The Accompanying Standards elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements. The Accompanying Standards set out the grandfathering treatment to be applied by the UAE Central Bank to Tier 1 or Tier 2 capital instruments issued by UAE financial institutions prior to 1 February 2017.

As at the date of this Base Prospectus, the UAE has not implemented a law that would require loss absorbency for bank capital instruments on the occurrence of a Non-Viability Event. While the Basel III Regulations and the Accompanying Standards confirm that any capital instruments issued by UAE banks must contain a loss absorption feature on the occurrence of a Non-Viability Event in order to achieve regulatory capital classification from the UAE Central Bank, this loss absorption feature must be provided for contractually in the absence of a statutory loss absorption framework in the UAE as at the date of this Base Prospectus. To the extent that the UAE introduces a statutory resolution regime to implement loss amount of the instruments or the conversion of such instruments into ordinary shares, it is unclear how such a regime will apply to banks in the UAE or how it may be interpreted within the UAE and whether and to what extent it will affect any Subordinated Notes issued from time to time under the Programme.

If the implementation by the UAE of any such statutory loss absorption regime or any other relevant laws, rules or guidelines gives rise to a Regulatory Redemption Event (as defined and more particularly described in Condition 7.5), in respect of the Subordinated Notes, the Subordinated Notes may be redeemed pursuant to Condition 7.5) without the consent of the Noteholders at any time after the applicable notice period to the Noteholders. See "*—The Subordinated Notes may be redeemed prior to their final maturity date due to the occurrence of a Regulatory Redemption Event*".

As used herein, **Non-Viability Event** means the earlier of: (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, or equivalent support, without which the relevant bank would become non-viable, in each case as determined by the relevant authority. This definition is for illustrative purposes only and may not necessarily reflect the meaning ascribed to the term "Non-Viability Event" (or any term equivalent thereto) pursuant to any law or regulation implementing the loss absorbency requirement in the UAE as part of the Basel III Reforms.

Risks relating to Renminbi-denominated Notes

Notes denominated in Renminbi (**Renminbi Notes**) may be issued under the Programme. Renminbi Notes contain particular risks for potential investors, including:

Renminbi is not completely freely convertible and there are still significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not completely freely convertible at present. The government of the PRC (the **PRC Government**) continues to regulate conversion between Renminbi and foreign currencies.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Although starting from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were issued, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited.

While the People's Bank of China (**PBOC**) has entered into agreements (the **Settlement Arrangements**) on the clearing of Renminbi business with financial institutions (the **RMB Clearing Banks**) in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services. In each case, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future so as to have the effect of restricting the availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If Renminbi is not available in certain circumstances as described in the Conditions applicable to Renminbi Notes, the Issuer can make payments in other currencies as set out in the Conditions.

Investment in Renminbi Notes is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of an investment in U.S. dollar or other applicable foreign currency terms will decline.

In the event that access to Renminbi becomes restricted to the extent that, by reason of RMB Inconvertibility, RMB Non-Transferability or RMB Illiquidity, the Issuer is unable, or it is impossible for it, to pay interest or principal in Renminbi, the Conditions allow the Issuer to make payment in such other currency as may be specified in the applicable Final Terms as the "Relevant Currency" at the prevailing spot rate of exchange, all as provided in more detail in the Conditions. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against such currency as may be specified in the applicable Final Terms as the "Relevant Currency" or other foreign currencies, the value of a holder's investment in such currency as may be specified in the applicable Final Terms as the "Relevant Currency" or other foreign currency terms will decline.

An investment in Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the RMB Settlement Centre(s).

Except in the limited circumstances stipulated in Condition 6.7 (as set out in the RMB provisions below), all Renminbi payments to investors in respect of the Renminbi Notes will be made solely (a) for so long as the Renminbi Notes are represented by a temporary bearer global note (a **Temporary Bearer Global Note**), a permanent bearer global note (a **Permanent Bearer Global Note**) or a Registered Global Note (each as defined under "*Form of the Notes*") held with the common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) or any alternative clearing system, by transfer to a Renminbi bank account maintained in the applicable RMB Settlement Centre(s) in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures or those of such alternative clearing system, as set out in the applicable Final Terms; or (b) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in the RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in the Conditions of the Notes, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

There may be PRC tax consequences with respect to investment in the Renminbi Notes

In considering whether to invest in the Renminbi Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of a Noteholder's investment in the Renminbi Notes may be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Renminbi Notes.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors

The conditions of the Notes contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of Noteholders to consider and vote upon matters affecting their interests generally, or to pass Written Resolutions or resolutions through the use of electronic consents without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer 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 nominal amount of the Notes of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer by accountholders in the clearing systems with entitlements to such global note or 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 Issuer 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 Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency

Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held.

These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the Written Resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority. For further details of such matters and the relevant majorities required at meetings of Noteholders, see Condition 16 and the corresponding provisions of the Agency Agreement.

The Conditions also provide that the Principal Paying Agent, the Issuer and the Bank may agree, without the consent of Noteholders, to (i) any modification (except a Basic Terms Modification) of the Notes, the Coupons or the Agency Agreement which is, in the sole opinion of the Issuer and the Bank, not prejudicial to the interests of the Noteholders and the Couponholders; or (ii) any modification of the Notes, the Coupons or the Agency Agreement which is, in the sole opinion of the Issuer and the Bank, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders and the Couponholders and unless the Principal Paying Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Bearer Notes and may be adversely affected if definitive Bearer Notes are subsequently required to be issued

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination (as specified in the applicable Final Terms) plus one or more higher integral multiples of another smaller amount, it is possible that such Bearer Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds a nominal amount which is less than the minimum Specified Denomination in their account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a nominal amount of Bearer Notes at or in excess of the minimum Specified Denomination such that its holding amounts to one or more Specified Denominations. Further, a holder who, as a result of trading such amounts, holds a nominal amount which is less than the minimum Specified Denomination in their account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Bearer Notes be printed) and would need to purchase a nominal amount of Bearer Notes at or in excess of the minimum Specified Denomination such that its holding amounts to one or more Specified Denominations.

If definitive Bearer Notes are issued, holders should be aware that definitive Bearer Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Notes will be held in global form, subject to limited exceptions, and traded in the clearing systems

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes 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.

Risks related to the market generally

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

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell their Notes

The Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may adversely affect the market value of the Notes.

If an investor holds Notes which are not denominated in the investor's home currency, they will be exposed to movements in exchange rates adversely affecting the value of their holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes and the Bank will make any payments under the Deed of Guarantee in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

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

Credit ratings assigned to the Issuer, the Bank or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Bank or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes that have been issued.

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

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

The Notes may be subject to early redemption for tax reasons

Payments made by the Issuer and the Bank in respect of the Notes and the Deed of Guarantee, respectively, could become subject to taxation. Condition 8 requires the Issuer or the Bank to pay additional amounts in certain circumstances in the event that any withholding or deduction for, or on account of, any present or future taxes, levies, imports, fees, duties, assessments or governmental charges of whatever nature is imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction such that net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and distributions which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.

The circumstances described above may entitle the Issuer to redeem all (but not some only) of the Notes.

Change in law

The Deed of Guarantee, the Agency Agreement, the Deed of Covenant and the Notes are governed by English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to English law after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer or the Bank to make payments under the Notes, the Agency Agreement, the Deed of Covenant or the Deed of Guarantee, as applicable.

The value of the Notes could be adversely affected by a change in tax law

Statements in this Base Prospectus concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors. In addition, any change in taxation legislation or in practice in a relevant jurisdiction could adversely impact the ability of the Issuer, and/or the Bank to make payments under the Notes or the Deed of Guarantee, respectively, and/or the market value of the Notes.

Risks Relating to Enforcement

UAE bankruptcy law

In the event of the Bank's insolvency, UAE bankruptcy law may adversely affect the Bank's ability to perform its obligations under the Deed of Guarantee. There is little precedent to predict how a claim on behalf of Noteholders against the Bank would be resolved in the event of the Bank's insolvency and therefore there can be no assurance that Noteholders will receive payment of their claims in full or at all in these circumstances.

Enforcing foreign judgments and arbitration awards in the UAE

The payments under the Notes are dependent upon the Issuer (failing which, the Bank) making payments to investors in the manner contemplated under the Notes or the Deed of Guarantee, as the case may be. If the Issuer or the Bank fails to do so, it may be necessary for an investor to bring an action against the Issuer or the Bank to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

Under current UAE law, the UAE courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court.

In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or which is contrary to any mandatory law of, or applicable in, the UAE.

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

The Notes, the Deed of Guarantee and the Agency Agreement are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the London Court of International Arbitration (the **LCIA Rules**) with an arbitral tribunal with its seat in London (or, subject to the exercise of an option to litigate given to certain parties (other than the Issuer and the Bank) the courts of England or the courts of the Dubai International Financial Centre, as the case may be, are stated to have jurisdiction to settle any disputes). Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that the Issuer or the Bank has, or would at the relevant time have, assets in the UK against which such arbitral award or judgment could be enforced.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the **New York Convention**) entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

There is no established track record as to how the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention). This is 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, and whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused. Federal Cabinet Resolution No. 57 of 2018 (the **Resolution**) also governs the enforcement of foreign arbitral awards in the UAE. The Resolution confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that the conditions for enforcement of foreign arbitral awards set out in the New York Convention shall not be prejudiced by the Resolution. However, there is not established track record as to how the overlapping provisions of the New York Convention and the Resolution will be interpreted and applied by the UAE courts in practice. There is also a risk that, notwithstanding the New York Convention, the Resolution or the terms of any other applicable multilateral or bilateral enforcement convention, the UAE courts may in practice consider and apply the grounds for enforcement of domestic UAE arbitral awards set out in Federal Law No. 6 of 2018 (the **UAE Arbitration Law**) to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law and the Resolution are both new and it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

Enforceability of the Bank's obligations under the Deed of Guarantee

As described above, the UAE courts are unlikely to enforce an English judgment without re-examining the merits of the claim, including the validity of the obligations of the parties contained in the underlying documentation. If a UAE court were to re-examine the merits of a claim made against the Bank for payment under the Deed of Guarantee, notwithstanding that the Deed of Guarantee is governed by English law, the UAE court may interpret the Deed of Guarantee in light of UAE law principles rather than English law principles.

In order to enforce a guarantee under UAE law, the underlying debt obligation for which such guarantee has been granted may need to be proved before the UAE courts. In addition, under UAE law, the obligation of a guarantor is incidental to the obligations of the principal debtor, and the obligations of a guarantor will only be valid to the extent of the continuing obligations of the principal debtor (notwithstanding anything to the contrary included in the relevant guarantee). UAE law does not contemplate a guarantee by way of indemnity of the obligations of the debtor by the guarantor and instead contemplates a guarantee by way of suretyship. Accordingly, it is not possible to state with any certainty whether a guarantor could be obliged by the UAE courts to pay a greater sum than the debtor is obliged to pay or to perform an obligation that the debtor is not obligated to perform. Consequently, were a UAE court to re-examine the merits of a claim made against the Bank for payment under the Deed of Guarantee, if the Issuer's obligation to make payment under the Notes cannot be proven to the satisfaction of the UAE court, the court may conclude that there is no obligation on the Bank to make payment in the full amount claimed under the Deed of Guarantee.

Furthermore, notwithstanding that the Notes and the Deed of Guarantee are governed by English law, if a UAE court were to apply UAE law principles when assessing a claim in respect of the Deed of Guarantee, the Bank may be released

from its obligations under the Deed of Guarantee if the relevant claim is not made within six months of payment becoming due under the Deed of Guarantee.

Waiver of sovereign immunity

The Bank has waived its rights in relation to sovereign immunity. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Deed of Guarantee and the Agency Agreement are valid and binding under the laws of the UAE and applicable in the Emirate of Sharjah.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and shall be incorporated in, and form part of, this Base Prospectus:

- (a) the reviewed condensed consolidated interim financial information of the Group as at and for the nine-month period ended 30 September 2021 together with the review report thereon and the notes thereto (an electronic copy of which is available at <https://www.bankofsharjah.com/public/uploads/contents/FS-English-Q3-2021.pdf>);
- (a) the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 together with the audit report thereon and the notes thereto (an electronic copy of which is available at https://www.bankofsharjah.com/public/uploads/contents/FS_English_Dec2020.pdf);
- (b) the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 together with the audit report thereon and the notes thereto (an electronic copy of which is available at <https://www.bankofsharjah.com/public/uploads/contents/FS-Dec-2019-ID-2279640-eng.pdf>);
- (c) the Terms and Conditions of the Notes contained on pages 40 to 75 (inclusive) in the base prospectus dated 9 July 2019 prepared by the Issuer and the Bank in connection with the Programme (an electronic copy of which is available at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus_4f12e6b1-27e6-44d6-8c1c-8d53e9a5cf80.PDF); and
- (d) the Terms and Conditions of the Notes contained on pages 39 to 71 (inclusive) in the base prospectus dated 27 January 2017 prepared by the Issuer and the Bank in connection with the Programme (an electronic copy of which is available at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus_5487f3bc-85c5-4e0a-b30b-e1cbfdb3143b.pdf).

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

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

Only certain parts of the documents referred to above are incorporated by reference in this Base Prospectus. The non-incorporated parts of the documents referred to above are either not relevant for investors or are covered elsewhere in this Base Prospectus.

The Issuer and the Bank will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

OVERVIEW OF THE PROGRAMME

The following overview must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole. This overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer, the Bank and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Base Prospectus will be published.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980.

Words and expressions defined in "*Form of the Notes*", "*Terms and Conditions of the Notes*" and "*Description of the Group*" shall have the same meanings in this summary.

Issuer:	BoS Funding Limited
Issuer's Legal Entity Identifier (LEI):	635400PTLHUGAMGH6I34
Guarantor:	Bank of Sharjah P.J.S.C.
Guarantor's Legal Entity Identifier (LEI)	635400NBMEM4UME2TO15
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under or in connection with Notes issued under the Programme. There are also certain factors that may affect the Bank's ability to fulfil its obligations under the Deed of Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these factors are set out under " <i>Risk Factors</i> ".
Description:	Euro Medium Term Note Programme
Arranger:	First Abu Dhabi Bank P.J.S.C.
Dealers:	Arab Banking Corporation (B.S.C.) Emirates NBD Bank P.J.S.C. First Abu Dhabi Bank P.J.S.C. J.P. Morgan Securities plc and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> "). Notes having a maturity of less than one year Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the UK, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see " <i>Subscription and Sale</i> ".
Principal Paying Agent:	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent:	The Bank of New York Mellon SA/NV, Luxembourg Branch
Programme Size:	Up to U.S.\$2,500,000,000 (or its equivalent in other currencies calculated as

described in the Programme Agreement) outstanding at any time. The Issuer and the Bank may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer, the Bank and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer, the Bank and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer, the Bank or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	<p>The Notes will be issued in bearer or registered form as described in "<i>Form of the Notes</i>".</p> <p>Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i>.</p>
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer, the Bank and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Bank and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none">(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer, the Bank and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, the Bank and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, the Bank and the relevant Dealer.</p>
Reset Notes:	<p>Reset Notes will bear interest:</p> <ul style="list-style-type: none">(a) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and(b) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Principal Paying Agent on the relevant Reset Determination Date in accordance with Condition 5.3(a), <p>payable, in each case, in arrear on the Interest Payment Date(s) (as specified in the applicable Final Terms).</p>

Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Benchmark Discontinuation:	In the event that a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Final Terms, then the Issuer and the Bank may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See Condition 5.2(c) for further information.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, the Bank and the relevant Dealer.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer, the Bank and the relevant Dealer, as specified in the applicable Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading in a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the date of issue of the Notes).
Taxation:	All payments in respect of the Notes or the Deed of Guarantee by or on behalf of the Issuer or the Bank, as the case may be, will be made without withholding or deduction for or on account of present or future Taxes (as defined under " <i>Terms and Conditions of the Notes</i> ") imposed or levied by any Relevant Jurisdiction unless the withholding or deduction is required by law as provided in Condition 8. In the event that any such withholding or deduction is made, the Issuer or, as the case may be, the Bank will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Senior Notes will contain a cross default provision as further described in Condition 10.
Status of the Notes:	<p>The Senior Notes will constitute direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> without preference among themselves and at least <i>pari passu</i> with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.</p> <p>The Subordinated Notes will constitute direct, conditional (as described in Conditions 3.3), unsecured and subordinated (as described in Condition 3.1(c)) obligations of the Issuer and rank <i>pari passu</i> without preference among themselves.</p> <p>The payment obligations of the Issuer in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) (the Issuer Obligations) will (i) rank junior to all unsubordinated payment obligations of the Issuer and all subordinated</p>

payment obligations (if any) of the Issuer to which the Issuer Obligations rank or are expressed to rank junior; (ii) rank *pari passu* with all subordinated payment obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Issuer Obligations; and (iii) rank in priority to all claims of holders of all undated or perpetual obligations of the Issuer and to all claims of holders of all classes of share capital of the Issuer.

Payments in respect of the Issuer Obligations by the Issuer are conditional upon the satisfaction of 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 Issuer has been issued by a court in the UAE, all claims of the holders of the Subordinated Notes under the Subordinated Notes will be extinguished and the Subordinated Notes will be cancelled without any further payment to be made by the Issuer under the Subordinated Notes.

Deed of Guarantee:

The payments of principal and interest in respect of the Senior Notes have been unconditionally and irrevocably guaranteed by the Bank. The obligations of the Bank under the Deed of Guarantee in respect of the Senior Notes are direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Bank and (subject as provided above) rank at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Bank, present and future, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

The payments of principal and interest of the Subordinated Notes have been unconditionally and irrevocably guaranteed by the Bank. The obligations of the Bank under the Deed of Guarantee in respect of the Subordinated Notes will constitute direct, conditional (as described in Condition 3.3), unsecured and subordinated (as described in Condition 3.2(c)) obligations of the Bank.

The payment obligations of the Bank in respect of the Subordinated Notes (the **Guarantor Obligations**) will (i) rank junior to all Guarantor Senior Obligations; (ii) rank *pari passu* with all Guarantor *Pari Passu* Obligations; and (iii) rank in priority to all claims of holders of all undated or perpetual obligations of the Bank and to all claims of holders of all classes of share capital of the Bank.

Payments in respect of the Guarantor Obligations by the Bank are conditional upon the satisfaction of 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 holders of the Subordinated Notes under the Guarantor Obligations will be extinguished without any further payment to be made by the Bank under the Deed of Guarantee in respect of the Subordinated Notes.

Rating:

The Programme is expected to be assigned a long-term senior unsecured rating of BBB+ by Fitch. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and admission to trading:

Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and for such Notes to be admitted to trading on the Euronext Dublin Regulated Market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer, the Bank and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be

listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law and Dispute Resolution:

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

In respect of any dispute, claim, difference or controversy under the Notes, the Agency Agreement and the Deed of Covenant, the Deed of Guarantee and the Notes, each of the Issuer and the Bank (as applicable) has consented to arbitration in accordance with the LCIA Rules unless any Agent (in the case of the Agency Agreement) or Noteholder (in the case of the Notes, the Deed of Covenant or the Deed of Guarantee) elects to have the dispute, claim, difference or controversy resolved by a court, in which case the English courts or the courts of the Dubai International Financial Centre (in the case of the Notes, the Deed of Covenant, the Agency Agreement or the Deed of Guarantee) will have exclusive jurisdiction to settle such dispute.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the UK, Japan, Hong Kong, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Cayman Islands, the Kingdom of Saudi Arabia, Bahrain, Qatar (including the Qatar Financial Centre) and Singapore, Malaysia and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 2. TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. The Notes have not been and will not be registered under the Securities Act or the securities laws of any applicable state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the securities laws of the applicable state or other jurisdiction of the United States.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a Temporary Bearer Global Note or a Permanent Bearer Global Note in each case, as so specified in the applicable Final Terms which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation and, at maturity, surrender of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, such Temporary Bearer Global Note will be exchangeable in whole or in part (free of charge) upon a request as described therein either for (a) a Permanent Bearer Global Note of the same Series or (b) for security printed definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached thereon upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes evidenced by the Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the Common Depositary on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Permanent Bearer Global Notes and definitive Bearer Notes where TEFRA D is specified in the applicable Final Terms and on all interest coupons relating to such Bearer Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

Each Tranche of Registered Notes will initially be represented by a global note in registered form (a **Registered Global Note**). Registered Global Notes will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Notes will be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Notes in the manner set out in Condition 6.4. None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (in each case, acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

General

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Bank and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Bank and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

Electronic Consent and Written Resolution

While any Temporary Bearer Global Note or Permanent Bearer Global Note is held on behalf of, or any Registered Global Note is registered in the name of any nominee for, a clearing system, then:

- (i) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an **Electronic Consent** as defined in the Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and

- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consents or instructions given in writing directly to the Issuer by accountholders in the clearing system with entitlements to such Global Note or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, **commercially reasonable evidence** includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, (a) will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 20 December 2021 and executed by the Issuer, and (b) will have no further rights under such Global Note (but without prejudice to the rights which such holders or any other person may have under the Deed of Covenant).

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)]**[MiFID II]**; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (**UK MiFIR**), only; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (the SFA) - *[Notice to be included if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA.]]*

[Date]

BOS FUNDING LIMITED

Legal entity identifier (LEI): 635400PTLHUGAMGH6I34

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

unconditionally and irrevocably guaranteed by Bank of Sharjah P.J.S.C.

under the U.S.\$2,500,000,000

Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 20 December 2021 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of [Regulation (EU) 2017/1129 (the **Prospectus Regulation**)] [the Prospectus Regulation]. [This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information]¹. The Base Prospectus is available for viewing during normal business hours at the registered office of the Issuer (c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands), the registered office of the Bank (Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates) and the Principal Paying Agent (One Canada Square, London E14 5AL, United Kingdom) and copies may be obtained from those offices. The Base Prospectus and these Final Terms have been published on Euronext Dublin's website (<https://live.euronext.com/en/markets/dublin>).]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [27 January 2017 and the supplement to it dated 23 February 2017][9 July 2019 and the supplements to it dated 22 August 2019 and 25 October 2019] which are incorporated by reference in the Base Prospectus dated 20 December 2021. [This document constitutes the Final Terms of the Notes described herein for the purposes of [Regulation (EU) 2017/1129 (the **Prospectus Regulation**)] [the Prospectus Regulation] and must be read in conjunction with the Base Prospectus dated 20 December 2021 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute a base prospectus for the purposes of the Prospectus Regulation (the **Base Prospectus**), including the Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information]². The Base Prospectus is available for viewing during normal business hours at the registered office of the Issuer (c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands), the registered office of the Bank (Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates) and the Principal Paying Agent (One Canada Square, London E14 5AL, United Kingdom) and copies may be obtained from those offices. The Base Prospectus and these Final Terms have been published on Euronext Dublin's website (<https://live.euronext.com/en/markets/dublin>).]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]

- | | | | |
|----|-------|--|--|
| 1. | (a) | Issuer: | BoS Funding Limited |
| | (b) | Bank: | Bank of Sharjah P.J.S.C. |
| 2. | (a) | Series Number: | [] |
| | [(b)] | Tranche Number: | []] |
| | (c) | Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date]/[exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [date]]][Not |

¹ Delete where the Notes are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation.

² Delete where the Notes are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation.

- Applicable]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
- (a) Series: []
- [(b) Tranche: []]
5. Issue Price: [] per cent. of the Aggregate Nominal Amount of this Tranche [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: []
- (in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)* []
- (N.B. Notes must have a minimum denomination of €100,000 (or equivalent))*
- (Note — for Bearer Notes, where multiple denominations above [€100,000] or equivalent and multiples of a lower nominal amount (e.g. €1,000) are being used the following sample wording should be followed:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
- (N.B. If an issue of Notes is (i) NOT admitted to trading on an EEA exchange; and (ii) only offered in the EEA in circumstances where a prospectus is not required to be published under the Prospectus Regulation, the €100,000 minimum denomination is not required.)*
- (b) Calculation Amount (in relation to calculation of interest whilst the Notes are in global form, see the Conditions): []
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)*
8. Maturity Date: [Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month and year]]
- (Note that for Renminbi denominated Fixed Rate Notes where the Interest Payment Dates and the amount of interest to be paid on such Interest Payment Dates are subject to modification in accordance with a Business Day Convention, it will be necessary to use the following wording: "Interest Payment Date falling in or nearest to [specify month and year]")*

9. Interest Basis: [[] per cent. Fixed Rate]
 [[EURIBOR/SHIBOR/HIBOR/SIBOR/KLIBOR/EIBOR/
 SAIBOR/BBSW/PRIBOR/CNH HIBOR/
 TRLIBOR or TRYLIBOR/TIBOR] +/- [] per cent.
 Floating Rate]
 [Zero Coupon]
- (further particulars specified below)
10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount
11. Change of Interest Basis: *[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there]*[Not Applicable]
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(see paragraphs 20 and 21 below)]
13. (a) Status of the Notes: [Senior/Subordinated]
 (b) Status of the Deed of Guarantee: [Senior/Subordinated]
 (c) [Date [Board/Shareholders] approval for issuance of Notes and Deed of Guarantee obtained: [] [and [], respectively]]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Deed of Guarantee)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]
(N.B. This will need to be amended in the case of long or short coupons)
(For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates and the amount of interest to be paid on such Interest Payment Dates are subject to modification, specify a Business Day Convention in paragraph 14(c) below (which is expected to be the Modified Following Business Day Convention) and add the words ", subject to adjustment in accordance with the Business Day Convention. For these purposes, "Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the applicable RMB Settlement Centre" after "Maturity Date" in this subparagraph (b))
- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
- (d) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to [] per Calculation Amount

Notes in global form see the Conditions):

(For Renminbi denominated Fixed Rate Notes where Interest Payment Dates and the amount of interest to be paid on such Interest Payment Dates are subject to modification in accordance with a Business Day Convention, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards.")

- (e) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see the Conditions): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (f) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or Actual/365 (Fixed)³]
- (g) Determination Date(s): [[] in each year] [Not Applicable]
(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

15. Floating Rate Note Provisions

[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Specified Period(s)/Specified Interest Payment Dates: [] [Subject to adjustment in accordance with the Business Day Convention set out in (b) below/Not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/Not Applicable]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [] [Not Applicable]
- (f) Screen Rate Determination:
 - Reference Rate: [] month
[[EURIBOR/SHIBOR/HIBOR/SIBOR/KLIBOR/EIBOR/SAIBOR/BBSW/PRIBOR/CNH HIBOR/TRLIBOR or TRYLIBOR/TIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately or, in the case of EIBOR, if not Reuters AEIBOR, ensure it is a page which shows a composite

³ Applicable to Renminbi denominated Fixed Rate Notes.

		rate)
	• Relevant Time:	[]
	• Relevant Financial Centre:	[]
(g)	ISDA Determination:	
	• Floating Rate Option:	[]
	• Designated Maturity:	[]
	• Reset Date:	[]
		<i>(In the case of a EURIBOR based option, the first day of the Interest Period)</i>
		<i>(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for EURIBOR which, depending on market circumstances, may not be available at the relevant time)</i>
(h)	Linear Interpolation:	[Not Applicable/Applicable - the rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation <i>(specify for each short or long interest period)</i>]
(i)	Margin(s):	[+/-] [] per cent. per annum
(j)	Minimum Rate of Interest:	[] per cent. per annum
(k)	Maximum Rate of Interest:	[] per cent. per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)
16.	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(a) Accrual Yield:	[] per cent. per annum
	(b) Reference Price:	[]
	(c) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360] [Actual/360] [Actual/365]
17.	Reset Note Provisions	[Applicable/Not Applicable]
	(a) Initial Rate of Interest:	[] per cent. per annum on each Interest Payment Date in arrear
	(b) Interest Payment Date(s):	[] in each year [up to and including the Maturity Date]
	(c) Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or Actual/365 (Fixed)]
	(d) Determination Dates(s):	[] in each year/Not Applicable]

- (e) Reset Date(s): []
- (f) Subsequent Reset Reference Rate(s): Subsequent Reset Reference Rate [Mid Swaps Reference Bond]
- (g) Relevant Financial Centre: []
- (h) Reset Margin: []
- (i) Subsequent Reset Rate Screen Page: []
- (j) Mid Swap Maturity: []
- (k) Reset Determination Date: []
- (l) Subsequent Reset Rate Time: []

PROVISIONS RELATING TO REDEMPTION

- 18. Notice periods for Condition 7.2: Minimum period: [30] days
Maximum period: [60] days
- 19. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 - (a) Optional Redemption Date(s): []
 - (b) Optional Redemption Amount: [] per Calculation Amount
 - (c) If redeemable in part:
 - (i) Minimum Redemption Amount: []
 - (ii) Maximum Redemption Amount: []
 - (d) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)
- 20. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 - (a) Optional Redemption Date(s): []
 - (b) Optional Redemption Amount: [] per Calculation Amount
 - (c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)

21. Regulatory Call: [Applicable/Not Applicable]
22. Final Redemption Amount: [[] per Calculation Amount]
23. Early Redemption Amount payable on redemption for taxation or regulatory reasons or on event of default: [] per Calculation Amount
- (N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for definitive Notes only upon an Exchange Event]
- [Temporary Bearer Global Note exchangeable for definitive Notes on and after the Exchange Date]
- [Permanent Bearer Global Note exchangeable for definitive Notes only upon an Exchange Event]
- [Registered Notes: Registered Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]
- N.B. The option for an issue of Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 above includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."*
25. Additional Financial Centre(s): [Not Applicable/give details]
- (Note that this paragraph relates to the date of payment and not Interest Period end dates to which item 15(c) relates)*
26. Talons for future Coupons to be attached to definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
27. RMB Settlement Centre(s): [] [Not Applicable]
28. RMB Currency Event: [Applicable/Not Applicable]
29. Relevant Currency for Condition 6.7: [] [Not Applicable]
30. Relevant Spot Rate Screen Pages for Condition 6.7:
- (i) Relevant Spot Rate Screen Page (Deliverable Basis): [] [Not Applicable]
- (ii) Relevant Spot Rate Screen Page (Non-deliverable Basis): [] [Not Applicable]
- (For U.S. dollars, use Reuters Screen Page TRADCNY and Reuters Screen Page TRADNDF, respectively.)*
31. Party responsible for calculating the Spot Rate for Condition 6.7: [give name (the **Calculation Agent**)] [Not Applicable]

THIRD PARTY INFORMATION

[[Relevant third party information] has been extracted from [specify source]. Each of the Issuer and the Bank confirms

that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of BoS Funding Limited

Signed on behalf of Bank of Sharjah P.J.S.C.

By:
Duly authorised

By:
Duly authorised

PART B — OTHER INFORMATION

1. LISTING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) to [●]/[the Euronext Dublin Regulated Market] for the Notes to be admitted to trading with] effect from []].
[Not Applicable]
- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

- Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:
[insert details]] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].
[Each of [●] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Bank and their affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

4. YIELD (Fixed Rate Notes Only)

- Indication of yield: [] per cent. per annum.
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. USE OF PROCEEDS

- (i) Use of proceeds: [See "Use of Proceeds" in the Base Prospectus]/[]
- (ii) Estimated amount of net proceeds: []

6. OPERATIONAL INFORMATION

- (i) ISIN: []
- (ii) Common Code: []
- (iii) CFI: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (iv) FISN: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (v) Any clearing system(s) other than [Not Applicable/give name(s) and number(s)]

Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):

- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional []
Paying Agent(s) (if any):

7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Date of [Subscription] Agreement: []
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/give name]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (vi) U.S. Selling Restrictions: Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)
- (viii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, subject to completion in accordance with the provisions of Part A of the applicable Final Terms will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by BoS Funding Limited (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an amended and restated agency agreement (such agency agreement as further amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 20 December 2021 and made between the Issuer, Bank of Sharjah P.J.S.C. (the **Bank**) as guarantor, The Bank of New York Mellon, London Branch as issuing and principal paying agent (the **Principal Paying Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (if any) (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The payment of all amounts in respect of this Note have been guaranteed by the Bank pursuant to a Deed of Guarantee (such Deed of Guarantee as modified and/or supplemented and/or restated from time to time, the **Deed of Guarantee**) dated 20 December 2021 and executed by the Bank. The original of the Deed of Guarantee is held by the Principal Paying Agent on behalf of the Noteholders and the Couponholders at its specified office.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as amended and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 20 December 2021 and

made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are (i) available for inspection and/or collection during normal business hours at the specified office of the Principal Paying Agent, the Registrar and each of the Paying Agents and Transfer Agents (such Agents, the Calculation Agency (if any is specified in the applicable Final Terms) and the Registrar being together referred to as the **Agents**) or (ii) may be provided by email to a Noteholder or Couponholder following their prior written request to the relevant Agent and provision of evidence satisfactory to the relevant Agent as to its holding of the Notes and identity. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Principal Paying Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area (the **EEA**) nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denomination (the **Specified Denomination(s)**) specified in the applicable Final Terms, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Reset Note or a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may also be a Senior Note or a Subordinated Note, as specified in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Bank and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Bank and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Bank and any Agent as the holder of such nominal

amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement and the terms of the Registered Global Note.

2.2 Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent and the Registrar, with the form of transfer thereon duly executed by the holder or holders thereof or their respective attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Agency Agreement).

Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

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

3. STATUS OF THE NOTES AND THE DEED OF GUARANTEE

3.1 Status of the Notes

(a) Status of the Senior Notes

The Senior Notes and any relevant Coupons, are direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Issuer and (subject as provided above) rank *pari passu* without any preference among themselves and at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) Status of the Subordinated Notes

The Subordinated Notes and any relevant Coupons, are direct, conditional (as described in Condition 3.3), unsecured and subordinated (as described in Condition 3.1(c)) obligations of the Issuer and rank without preference *pari passu* among themselves.

(c) Subordination of the Subordinated Notes

The payment obligations of the Issuer in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) (the **Issuer Obligations**) will (i) rank junior to all unsubordinated payment obligations of the Issuer and all subordinated payment obligations (if any) of the Issuer to which the Issuer Obligations rank or are expressed to rank junior; (ii) rank *pari passu* with all subordinated payment obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Issuer Obligations; and (iii) rank in priority to all claims of holders of all undated or perpetual obligations of the Issuer and to all claims of holders of all classes of share capital of the Issuer.

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

Subject to applicable law, no holder of the Subordinated Notes may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Notes and each holder of the Subordinated Notes shall, by virtue of being a holder of the Subordinated Notes, be deemed to have waived all such rights of set-off.

3.2 Status of the Deed of Guarantee

(a) Status of the Deed of Guarantee in respect of the Senior Notes

The payment of principal and interest in respect of the Senior Notes has been unconditionally and irrevocably guaranteed by the Bank (the **Deed of Guarantee**). The obligations of the Bank under the Deed of Guarantee in respect of the Senior Notes are direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Bank and (subject as provided above) rank at least *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Bank, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) Status of the Deed of Guarantee in respect of the Subordinated Notes

The payment of principal and interest in respect of the Subordinated Notes in respect of the Subordinated Notes has been guaranteed by the Bank under the Deed of Guarantee. The obligations of the Bank under the Deed of Guarantee in respect of the Subordinated Notes are direct, conditional (as described in Condition 3.3), unsecured and subordinated (as described in Condition 3.2(c)) obligations of the Bank.

(c) Subordination of the Deed of Guarantee in respect of the Subordinated Notes

The payment obligations of the Bank under the Deed of Guarantee in respect of the Subordinated Notes (the **Guarantor Obligations**) will (i) rank junior to all unsubordinated payment obligations of the Bank (including depositors) and all subordinated payment obligations (if any) of the Bank to which the Guarantor Obligations rank or are expressed to rank junior (the **Guarantor Senior Obligations**); (ii) rank *pari passu* with all subordinated payment obligations of the Bank which rank, or are expressed to rank, *pari passu* with the Guarantor Obligations (the **Guarantor Pari Passu Obligations**); and (iii) rank in priority to all claims of

holders of all undated or perpetual obligations of the Bank and to all claims of holders of all classes of share capital of the Bank.

Notwithstanding any other provisions in these Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Bank has been issued by a court in the United Arab Emirates, all claims of the holders of the Subordinated Notes under the Guarantor Obligations will be extinguished without any further payment to be made by the Bank under the Deed of Guarantee in respect of the Subordinated Notes.

Subject to applicable law, no holder of the Subordinated Notes may exercise or claim any right of set-off in respect of any amount owed to it by the Bank arising under or in connection with the Deed of Guarantee in respect of the Subordinated Notes and each holder of the Subordinated Notes shall, by virtue of being a holder of the Subordinated Notes, be deemed to have waived all such rights of set-off.

3.3 Solvency Conditions

Payments in respect of the Issuer Obligations by the Issuer and the Guarantor Obligations by the Bank are conditional upon the following (the **Solvency Conditions**):

- (a) the Bank being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the Guarantor Obligations; and
- (b) the Bank being capable of making payment of the Guarantor Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Guarantor Senior Obligations and all Guarantor Pari Passu Obligations and still be Solvent immediately thereafter.

In this Condition 3.3 the following expressions shall have the following meanings:

Assets means the consolidated gross assets of the Bank as shown in the latest audited or (as the case may be) auditor reviewed balance sheet of the Bank, but adjusted for subsequent events in such manner as the directors of the Bank, the auditors of the Bank 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;

Liabilities means the consolidated gross liabilities of the Bank as shown in the latest audited or (as the case may be) auditor reviewed balance sheet of the Bank, but adjusted for contingent liabilities and for subsequent events in such manner as the directors of the Bank, the auditors of the Bank 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; and

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

4. NEGATIVE PLEDGE

4.1 Negative Pledge

This Condition 4 only applies to Senior Notes.

So long as any of the Notes or Coupons remains outstanding (as defined in the Agency Agreement) neither the Issuer nor the Bank will, and the Issuer and the Bank will procure that none of their respective Subsidiaries (as defined below) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) upon, or with respect to, any present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer, the Bank and/or any of their respective Subsidiaries to secure: (a) any Relevant Indebtedness or Relevant Sukuk Obligation (each as defined below); or (b) any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, unless the Issuer or the Bank, as the case may be, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes and Coupons and/or the Deed of Guarantee as the case may be, are secured by the Security Interest equally and rateably with the Relevant Indebtedness, Relevant Sukuk Obligation, or guarantee or indemnity in respect thereof, as the case may be; or

- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

4.2 Interpretation

For the purposes of these Conditions:

- (a) **Relevant Indebtedness** means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities, which for the time being are, or are intended to be, or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market;
- (b) **Relevant Sukuk Obligation** means any present or future undertaking or other obligation to pay any money given in connection with the issue of certificates, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the counter or other securities market; and
- (c) **Subsidiary** means in relation to any person (the **first person**) at any particular time, any other person (the **second person**):
 - (i) whose affairs and policies the first person controls or has power to control, whether by ownership or share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or
 - (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

In the case of a Fixed Rate Note where the Specified Currency is Renminbi and the applicable Final Terms specifies a Business Day Convention to be applicable (an **Adjusted Renminbi Fixed Rate Note**), each Interest Payment Date (and, accordingly, the relevant Fixed Rate Period) will be adjusted (if required) in accordance with the relevant Business Day Convention. For this purpose, the provisions relating to the application of a Business Day Convention set out in Condition 5.2(a) shall apply to this Condition 5.1, *mutatis mutandis*, save that, for the purposes of the Conditions relating to an Adjusted Renminbi Fixed Rate Note, the term **Business Day** shall mean a day (other than a Saturday or Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settle Renminbi payments in the applicable RMB Settlement Centre(s) (as defined in Condition 6.7).

Interest shall be calculated in respect of any period for which an applicable Fixed Coupon Amount or Broken Amount is not specified in the applicable Final Terms and in respect of the Fixed Interest Periods relating to Adjusted Renminbi Fixed Rate Notes by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes or Adjusted Renminbi Fixed Rate Notes, as the case may be, which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes or Adjusted Renminbi Fixed Rate Notes, as the case may be, in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note or Adjusted Renminbi Fixed Rate Notes, as the case may be, in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note or Adjusted Renminbi Fixed Rate Notes, as the case may be, shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

As used in these Conditions:

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1 or Condition 5.3:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (c) if "Actual/365" (Fixed) is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date; and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each **Interest Period** (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, unless otherwise specified **Business Day** means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than the TARGET2 System) specified in the applicable Final Terms;
- (b) if the TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settle Renminbi payments in the applicable RMB Settlement Centre(s) (as defined in Condition 6.7).

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

- (i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA

Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of sub-paragraph (ii)(A) above, no offered quotation appears or, in the case of sub-paragraph (ii)(B) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Principal Paying Agent shall request each of the Reference Banks (the contact details (including individual contacts) at such Reference Banks to be provided to the Principal Paying Agent by the Issuer or the Bank, as the case may be) to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Shanghai inter-bank market (if the Reference Rate is SHIBOR), or the Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR), or the Singapore inter-bank market (if the Reference Rate is SIBOR),

or the Kuala Lumpur inter-bank market (if the Reference Rate is KLIBOR), or the Emirates inter-bank market (if the Reference Rate is EIBOR), or the Saudi Arabia inter-bank market (if the Reference Rate is SAIBOR), or the Australia inter-bank market (if the Reference Rate is BBSW), or the Prague inter-bank market (if the Reference Rate is PRIBOR), or the Turkish inter-bank market (if the Reference Rate is TRLIBOR or TRYLIBOR), or the Tokyo inter-bank market (if the Reference Rate is TIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Shanghai inter-bank market (if the Reference Rate is SHIBOR), or the Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR), or the Singapore inter-bank market (if the Reference Rate is SIBOR), or the Kuala Lumpur inter-bank market (if the Reference Rate is KLIBOR), or the Emirates inter-bank market (if the Reference Rate is EIBOR), or the Saudi Arabia inter-bank market (if the Reference Rate is SAIBOR), or the Australia inter-bank market (if the Reference Rate is BBSW), or the Prague inter-bank market (if the Reference Rate is PRIBOR), or the Turkish inter-bank market (if the Reference Rate is TRLIBOR or TRYLIBOR), or the Tokyo inter-bank market (if the Reference Rate is TIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, and provided further that such failure is not due to the occurrence of a Benchmark Event, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

If the Rate of Interest cannot be determined because of the occurrence of a Benchmark Event, the Rate of Interest shall be calculated in accordance with the terms of Condition 5.2(c).

As used in these Conditions:

Calculation Agent has the meaning specified in the applicable Final Terms;

Reference Banks means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in the case of a determination of SHIBOR, the principal Shanghai office of four major banks in the Shanghai inter-bank market, in the case of a determination of HIBOR or CNH HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore inter-bank market, in the case of a determination of KLIBOR, the principal Kuala Lumpur office of four major banks in the Kuala Lumpur inter-bank market, in the case of a determination of EIBOR, the principal Dubai office of four major banks in the Emirates inter-bank market, in the case of a determination of SAIBOR, the principal Riyadh office of four major banks in the Saudi Arabia inter-bank market, in the case of a determination of BBSW, the principal Sydney office of four major banks in the Australia inter-bank market, in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague inter-bank market, in the case of a determination of TRLIBOR or TRYLIBOR, the principal Istanbul office of four major banks in the Turkish inter-bank market, or in the case of a determination of TIBOR, the principal Tokyo office of four major banks in the Tokyo inter-bank market and, in the case of a determination of a Reference Rate that is not specified above, the principal office of four major banks in the inter-bank market of the Relevant Financial Centre, in each case provided to the Principal Paying Agent by the Issuer or the Bank, as the case may be;

Reference Rate means one of the following benchmark rates (as specified in the applicable Final Terms) in respect of the currency and period specified in the applicable Final Terms:

- (A) Euro interbank offered rate (**EURIBOR**);
- (B) Shanghai interbank offered rate (**SHIBOR**);
- (C) Hong Kong interbank offered rate (**HIBOR**);

- (D) Singapore interbank offered rate (**SIBOR**);
- (E) Kuala Lumpur interbank offered rate (**KLIBOR**);
- (F) Emirates interbank offered rate (**EIBOR**);
- (G) Saudi Arabia interbank offered rate (**SAIBOR**);
- (H) Bank Bill Swap Rate (**BBSW**);
- (I) Prague interbank offered rate (**PRIBOR**);
- (J) CNH Hong Kong interbank offered rate (**CNH HIBOR**);
- (K) Turkish Lira interbank offered rate (**TRLIBOR** or **TRYLIBOR**); and
- (L) Tokyo interbank offered rate (**TIBOR**);

Relevant Financial Centre shall mean (i) Brussels, in the case of a determination of EURIBOR; (ii) Tokyo, in the case of a determination of TIBOR; or (iii) Hong Kong, in the case of a determination of HIBOR or CNH HIBOR, as specified in the applicable Final Terms, or such other financial centre as specified in the applicable Final Terms; and

Relevant Time shall mean: (a) 11.00 a.m. (Brussels time, in the case of a determination of EURIBOR, Shanghai time, in the case of a determination of SHIBOR, Hong Kong time, in the case of a determination of HIBOR, Singapore time, in the case of a determination of SIBOR, Kuala Lumpur time, in the case of a determination of KLIBOR, Dubai time, in the case of a determination of EIBOR, Riyadh time, in the case of a determination of SAIBOR, Sydney time, in the case of a determination of BBSW, Prague time, in the case of a determination of PRIBOR, Istanbul time, in the case of a determination of TRLIBOR or TRYLIBOR, or Tokyo time, in the case of a determination of TIBOR); or (b) 11.15 a.m. Hong Kong time in the case of a determination of CNH HIBOR; or (c) Relevant Financial Centre time in the case of a determination of any other Reference Rate.

(c) **Benchmark Replacement**

Notwithstanding the other provisions of this Condition 5.2, if the Issuer and the Bank, following consultation with the Calculation Agent, determine that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Final Terms when any Rate of Interest (or the relevant component part thereof) applicable to the Notes for any Interest Period remains to be determined by reference to such Reference Rate, then the following provisions shall apply:

- (i) the Issuer and the Bank shall use their reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **IA Determination Cut-Off Date**), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (ii) if (A) the Issuer and the Bank are unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by the Issuer and the Bank fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 5.2(c) prior to the relevant IA Determination Cut-Off Date, then the Issuer and the Bank (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and/or, in either case, an Adjustment Spread itself for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 5.2(c) applying *mutatis mutandis* to allow such determinations to be made by the Issuer and the Bank without consultation with the Independent Adviser);
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods in respect of

such Notes (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(c));

- (iv) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) provided however, that if the Independent Adviser (following consultation with the Issuer and the Bank), or the Issuer and the Bank (acting in good faith and in a commercially reasonable manner), fails to determine the Adjustment Spread in accordance with this Condition 5.2(c) prior to the relevant Interest Determination Date then the Successor Rate or Alternative Reference Rate as determined in accordance with this Condition 5.2(c) will apply without an Adjustment Spread; and
- (v) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 5.2(c) and the Independent Adviser (following consultation with the Issuer and the Bank) or the Issuer and the Bank (acting in good faith and in a commercially reasonable manner), as applicable, determines: (A) that amendments to these Conditions (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Interest Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**); and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Bank and subject to delivery of a notice in accordance with Condition 5.2(c)(vi): (x) the Issuer and the Bank shall vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Agents shall (at the Bank's expense), without any requirement for the consent or sanction of Noteholders, be obliged to concur with the Issuer and the Bank in effecting such Benchmark Amendments.

For the avoidance of doubt, no Agent shall be liable to the Noteholders or any other person for so acting or relying on such notice, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Noteholder or person;

- (vi) the Issuer (failing which, the Bank) shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Agents and, in accordance with Condition 14, the Noteholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5.2(c). Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Noteholders of the same, the Issuer (failing which the Bank) shall deliver to the Principal Paying Agent a certificate signed by two directors of the Issuer (or, as the case may be, two directors of the Bank): (A) that a Benchmark Event has occurred, the Successor Rate or, as the case may be, the Alternative Reference Rate, the applicable Adjustment Spread, the specific terms of the Benchmark Amendment (if any), in each case as determined in accordance with the provisions of this Condition 5.2(c); and (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and Adjustment Spread.

Such certificate shall be made available for inspection by the Noteholders during normal business hours at the specified offices of the Principal Paying Agent;

- (vii) if, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or the relevant component part thereof) on the immediately following Interest Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Rate of Interest (or the relevant component part thereof) shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period). For the avoidance of doubt, this Condition 5.2(c)(vii) shall apply to the relevant immediately following Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 5.2(c); and

- (viii) the Independent Adviser appointed pursuant to this Condition 5.2(c) shall act and make all determinations pursuant to this Condition 5.2(c) in good faith and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, neither the Independent Adviser nor the Issuer nor the Bank shall have any liability whatsoever to the Principal Paying Agent, the Paying Agents, the Noteholders or the Couponholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Issuer and the Bank in connection with any determination made by the Issuer and the Bank pursuant to this Condition 5.2(c).

For the purposes of this Condition 5.2(c):

Adjustment Spread means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Issuer and the Bank) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the relevant Reference Rate; or
- (iii) (if the Independent Adviser (following consultation with the Issuer and the Bank) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Issuer and the Bank) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or
- (iv) (if the Independent Adviser (following consultation with the Issuer and the Bank) determines that there is no such industry standard) the Independent Adviser (following consultation with the Issuer and the Bank) or the Issuer and the Bank (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate;

Alternative Reference Rate means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Issuer and the Bank) determines, in accordance with this Condition 5.2(c), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes and of a comparable duration to the relevant Interest Period or, if the Independent Adviser or the Issuer and the Bank (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer and the Bank (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

Benchmark Event means: (i) the relevant Reference Rate ceasing to be published as a result of such benchmark ceasing to be calculated or administered or ceasing to exist for at least five Business Days; or (ii) a public statement by the administrator of the relevant Reference Rate that it has ceased or that it will, by a specified future date, cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will, by a specified future date, be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which, by a specified future date, the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or (v) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such Reference Rate is or will be (or is or will be deemed by such supervisor to be), by a specified future date, no longer representative of an underlying market or (vi) it has become unlawful for the Issuer, the Bank, the Calculation Agent or any Paying Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate, provided that, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv) and (v) above and the relevant specified future date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such specified future date;

Financial Stability Board means the organisation established by the Group of Twenty (G20) in April 2009;

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer and the Bank at the Bank's expense;

Relevant Nominating Body means, in respect of a Reference Rate: (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the Reference Rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof; and

Successor Rate means the rate that the Independent Adviser (in consultation with the Issuer and the Bank) determines is a successor to or replacement of the relevant Reference Rate which is formally recommended by any Relevant Nominating Body.

(d) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(e) **Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Notes represented by such Global Note or (B) such Registered Notes; or

(B) in the case of Floating Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(f) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Issuer (acting in good faith and in a commercially reasonable manner) shall instruct the Principal Paying Agent or the Calculation Agent, as applicable, as to such rate at such time and by reference to such sources as it determines appropriate for the purposes of the calculation of the applicable rate of interest.

Designated Maturity means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate; and (b) in relation to ISDA Determination, the Designated Maturity.

(g) **Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. To the extent that the Principal Paying Agent is unable to notify the relevant stock exchange on which the relevant Notes are for the time being listed, the Principal Paying Agent shall notify the Issuer and the Bank, who shall procure the performance of such obligation. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(h) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, by the Principal Paying Agent shall (in the absence of wilful default, fraud, or manifest error) be binding on the Issuer, the Bank, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default, fraud or manifest error) no liability to the Issuer, the Bank, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(i) **Appointment of alternative Calculation Agent**

If the Principal Paying Agent is unable or unwilling to, or fails to, establish or determine the Rate of Interest and Interest Amount for any Interest Period, the Issuer or the Bank, as the case may be, shall appoint a leading bank or financial institution engaged in the interbank market that is most closely connected with the calculation or determination to be made by the Principal Paying Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place.

5.3 Interest on Reset Notes

(a) Rates of Interest

Each Reset Note bears interest:

- (i) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and
- (ii) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Principal Paying Agent on the relevant Reset Determination Date in accordance with this Condition 5.3(a),

payable, in each case, in arrear on the Interest Payment Date(s) (as specified in the applicable Final Terms).

As used in this Condition 5.3:

Day Count Fraction and related definitions have the meanings given in Condition 5.1;

Initial Rate of Interest has the meaning specified in the applicable Final Terms;

Mid Swap Benchmark Rate means (a) if the Specified Currency is euro, EURIBOR or, (b) in the case of any other Specified Currency, the benchmark rate most closely connected with such Specified Currency and selected by the Issuer or the Bank, as the case may be, on the advice of an investment bank of international repute;

Mid Swap Maturity has the meaning specified in the applicable Final Terms;

Mid Swap Rate means for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg, payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Principal Paying Agent), of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (a) has a term equal to the relevant Reset Period and commencing on the relevant Date, (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (c) has a floating leg based on the Mid Swap Benchmark Rate for the Mid Swap Maturity as specified in the applicable Final Terms (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Principal Paying Agent);

Reference Banks means the principal office in the Relevant Financial Centre of four major banks in the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer or the Bank, as the case may be, on the advice of an investment bank of international repute;

Reference Bond means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the relevant Reset Period;

Reference Bond Price means, with respect to any Reset Determination Date, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Principal Paying Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

Reference Government Bond Dealer means each of five banks (selected by the Issuer or the Bank, as the case may be, on the advice of an investment bank of international repute), or their affiliates, which are (A) primary government securities dealers, and their respective successors or (B) market makers in pricing corporate bond issues;

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Principal Paying Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of

its nominal amount) at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Principal Paying Agent by such Reference Government Bond Dealer;

Reset Date(s) means the date(s) specified in the applicable Final Terms;

Reset Determination Date means for each Reset Period the date as specified in the applicable Final Terms falling on or before the commencement of such Reset Period on which the rate of interest applying during such Reset Period will be determined;

Reset Margin means the margin specified in the applicable Final Terms;

Reset Period means the period from (and including) the first Reset Date to (but excluding) the Maturity Date if there is only one Reset Period or, if there is more than one Reset Period, each period from (and including) one Reset Date (or the first Reset Date) to (but excluding) the next Reset Date up to (but excluding) the Maturity Date;

Subsequent Reset Rate for any Reset Period means the sum of (i) the applicable Subsequent Reset Reference Rate and (ii) the applicable Reset Margin (rounded down to four decimal places, with 0.00005 being rounded down);

Subsequent Reset Rate Screen Page has the meaning specified in the applicable Final Terms;

Subsequent Reset Rate Time has the meaning specified in the applicable Final Terms; and

Subsequent Reset Reference Rate means either:

- (A) if **Mid Swaps** is specified in the applicable Final Terms, the Mid Swap Rate displayed on the Subsequent Reset Rate Screen Page at or around the Subsequent Reset Rate Time on the relevant Reset Determination Date for such Reset Period, or
- (B) if **Reference Bond** is specified in the applicable Final Terms, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price.

The Principal Paying Agent will calculate the Interest Amount payable on the Reset Notes for the relevant period by applying the Initial Rate of Interest or the applicable Subsequent Reset Rate (as the case may be) to:

- (A) in the case of Reset Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Reset Notes represented by such Global Note; or
- (B) in the case of Reset Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Reset Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Reset Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(b) **Subsequent Reset Rate Screen page**

If the Subsequent Reset Rate Screen Page is not available, the Principal Paying Agent shall request each of the Reference Banks (the contact details (including individual contacts) at such Reference Banks to be provided to the Principal Paying Agent by the Issuer or the Bank, as the case may be,) to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Subsequent Reset Reference Rate at approximately the Subsequent Reset Rate Time on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Reset Margin (if any), all as determined by the Principal Paying Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the foregoing provisions of this paragraph, the Subsequent Reset Rate shall be

determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Subsequent Reset Rate shall be the Initial Rate of Interest.

If the Subsequent Reset Rate cannot be determined because of the occurrence of a Benchmark Event, the Subsequent Reset Rate shall be calculated in accordance with the terms of Condition 5.2(c) *mutatis mutatis*.

(c) **Notification of Subsequent Reset Rate and Interest Amounts**

The Principal Paying Agent will cause the Subsequent Reset Rate and each Interest Amount for each Reset Period to be notified to the Issuer and any stock exchange on which the relevant Reset Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment). Any such amendment will be promptly notified to any stock exchange on which the relevant Reset Notes are for the time being listed and to the Noteholders in accordance with the Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(d) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.3 by the Principal Paying Agent shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Bank, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default, fraud or manifest error) no liability to the Issuer, the Bank, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(e) **Appointment of alternative Calculation Agent**

If the Principal Paying Agent is unable or unwilling to, or fails to, establish or determine the Subsequent Reset Rate and Interest Amount for any Reset Period, the Issuer or the Bank, as the case may be, shall appoint a leading bank or financial institution engaged in the interbank market that is most closely connected with the calculation or determination to be made by the Principal Paying Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place.

5.4 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee; and
- (c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the payee with a bank in the applicable RMB Settlement Centre(s).

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

6.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmaturing Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmaturing Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Reset Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmaturing Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note

at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**): (i) where in global form, at the close of the business day before the relevant due date (business day being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business); and (ii) where in definitive form, at the close of business on the fifth (in the case of Renminbi) and the third (in the case of a currency other than Renminbi) business day before the relevant due date (business day being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located). For these purposes, **Designated Account** means the account (which, in the case of a payment in Renminbi, means the Renminbi account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) a bank in the applicable RMB Settlement Centre(s).

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register: (i) where in global form, at the close of the business day before the relevant due date (business day being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business); and (ii) where in definitive form, at the close of business on the fifth day (in the case of Renminbi) and at the close of business on the fifteenth day (in the case of a currency other than Renminbi) (whether or not such fifth day (in the case of Renminbi) or fifteenth day (in the case of a currency other than Renminbi) is a business day), before the relevant due date. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the nominal amount of such Registered Note.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Bank or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer's or, as the case may be, the Bank's payment obligations hereunder will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for their share of each payment so made by the Issuer or, as the case may be, the Bank to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Bank, adverse tax consequences to the Issuer or the Bank.

6.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
 - (i) in the case of Notes in definitive form only, in the relevant place of presentation;
 - (ii) in each Additional Financial Centre (other than the TARGET2 System) specified in the applicable Final Terms; and
- (b) if the TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (c) either (A) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (C) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settle Renminbi payments in the applicable RMB Settlement Centre(s) (as defined in Condition 6.7).

6.7 RMB Currency Event

If "RMB Currency Event" is specified as being applicable in the applicable Final Terms and a RMB Currency Event exists on a date for payment of any amount in respect of any Note or Coupon, the Issuer's obligation to make a payment in RMB under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency specified in the applicable Final Terms converted using the Spot Rate for the relevant Rate Calculation Date.

Upon the occurrence of a RMB Currency Event, the Issuer shall give irrevocable notice as soon as practicable and not less than five days prior to the due date for payment to the Noteholders in accordance with Condition 14 stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of these Conditions:

Governmental Authority means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the applicable RMB Settlement Centre(s);

Rate Calculation Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the applicable RMB Settlement Centre(s), London and the principal financial centre of the country of the Relevant Currency;

Rate Calculation Date means the day which is two Rate Calculation Business Days before the due date of the relevant payment under the Notes;

Renminbi or **RMB** means the lawful currency for the time being of the People's Republic of China (the **PRC**), which, for these purposes, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan;

RMB Currency Events means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

RMB Illiquidity means the general RMB exchange market in the applicable RMB Settlement Centre(s) becomes illiquid as a result of which the Issuer cannot obtain sufficient RMB in order to make any payment (in whole or in part) due under the Notes, as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in the applicable RMB Settlement Centre(s);

RMB Inconvertibility means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes into RMB in the general RMB exchange market in the applicable RMB Settlement Centre(s), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

RMB Non-Transferability means the occurrence of any event that makes it impossible for the Issuer to deliver RMB (A) between accounts inside the applicable RMB Settlement Centre(s), (B) from an account inside the applicable RMB Settlement Centre(s) to an account outside the applicable RMB Settlement Centre(s) (including where the RMB clearing and settlement system for participating banks in the applicable RMB Settlement Centre(s) is disrupted or suspended) or (C) from an account outside the applicable RMB Settlement Centre(s) to an account inside the applicable RMB Settlement Centre, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

RMB Settlement Centre(s) means the financial centre(s) specified as such in the applicable Final Terms in accordance with applicable laws and regulations. If no RMB Settlement Centre is specified in the applicable Final Terms, the RMB Settlement Centre shall be deemed to be Hong Kong; and

Spot Rate means the spot RMB/Relevant Currency exchange rate for the purchase of the Relevant Currency with RMB in the over-the-counter Renminbi exchange market in the applicable RMB Settlement Centre(s) for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (local time in the applicable RMB Currency Centre(s)) on the Rate Calculation Date, on a deliverable basis by reference to the Relevant Spot Rate Screen Page (Deliverable Basis), or if no such rate is available, on a non-deliverable basis by reference to the Relevant Spot Rate Screen Page (Non-deliverable Basis), each as specified in the applicable Final Terms. If neither rate is available, the Calculation Agent shall determine the Spot Rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in the applicable RMB Settlement Centre(s) or elsewhere and the RMB/Relevant Currency exchange rate in the PRC domestic foreign exchange market.

6.8 RMB account

Notwithstanding the foregoing, all payments in respect of any Note in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in the applicable RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in the applicable RMB Settlement Centre(s)).

6.9 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 8;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes; and
- (e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount and in the relevant Specified Currency on the Maturity Date in each case as specified in the applicable Final Terms.

7.2 Redemption for tax reasons

The Notes may (subject, in the case of Subordinated Notes, to the prior approval of the Central Bank of the United Arab Emirates (the **Regulator**, which expression shall include any successor thereto as the relevant regulator of banks in the United Arab Emirates) where required) be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Bank would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations (excluding, for the avoidance of doubt, any interpretation by the Issuer or the Bank of the application of such laws or regulations), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Bank taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Bank would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Issuer shall deliver to the Principal Paying Agent to make available at its specified office to the Noteholders (i) a certificate signed by two directors of the Issuer or, as the case may be, two directors of the Bank stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Bank has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.6 together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may (subject, in the case of Subordinated Notes, to the prior approval of the Regulator where required), having given:

- (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14; and
- (b) not less than the minimum period nor more than the maximum period of the notice referred to in (a) above, notice to the Principal Paying Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem: (i) in the case of Subordinated Notes, all of the Subordinated Notes; and (ii) in the case of Senior Notes, all or some only of the Notes, in each case then outstanding on any Optional Redemption Date and at the Optional Redemption

Amount(s) specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

This Condition 7.4 is only applicable to Senior Notes. If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7.4 in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with Condition 2.2, in each case accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on their instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.5 Redemption for regulatory reasons (Regulatory Call)

This Condition 7.5 is only applicable to Subordinated Notes. The Notes may (subject to the prior approval of the Regulator where required) be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if a Regulatory Redemption Event has occurred and is continuing and if the circumstance that entitles the Issuer to exercise such redemption was not reasonably foreseeable at the Issue Date.

Prior to the publication of any notice of redemption pursuant to this Condition 7.5, the Issuer shall deliver to the Principal Paying Agent to make available at its specified office to the Noteholders (i) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the change to the applicable regulatory rules or to the application or official interpretation thereof as described in the definition of "Regulatory Redemption Event" has occurred and is continuing.

Notes redeemed pursuant to this Condition 7.5 will be redeemed at their Early Redemption Amount referred to in Condition 7.6 together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In this Condition 7.5:

Regulatory Redemption Event shall be deemed to have occurred if, as a result of any change to any applicable regulatory rules or to the application or official interpretation thereof at any relevant time which has been previously announced in an official publication of the Regulator or of any other relevant governmental, regulatory or judicial body in the United Arab Emirates, the Notes are fully excluded from Tier 2 (supplementary) Capital of Bank of Sharjah P.J.S.C. and its subsidiaries (save where such exclusion is only as a result of any applicable limitation on the amount of such capital), provided that the Notes have qualified as Tier 2 (supplementary) Capital at any time following the date on which they were issued; and

Tier 2 (supplementary) Capital means: (a) for so long as Circular 13/93 relating to Capital Adequacy published on 14 April 1993 by the Regulator and Circular 27/2009, together with the associated guidance, each published by the Regulator (as each may be supplemented or amended from time to time) (the **Circulars**) are applicable in the United Arab Emirates, Tier 2 (supplementary) Capital (as described in the Circulars); and (b) if the Circulars are no longer applicable in the United Arab Emirates, or if Tier 2 (supplementary) Capital is no longer the applicable regulatory categorisation, such successor regulatory capital categorisation resulting from any change to any applicable regulatory rules or to the application or official interpretation thereof which has been announced in an official publication of the Regulator or of any other relevant governmental, regulatory or judicial body in the United Arab Emirates.

7.6 Early Redemption Amounts

For the purpose of Conditions 7.2 and 7.5 and Condition 10, each Note will be redeemed at its **Early Redemption Amount** calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^y$ where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or

(as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.7 Purchases

The Issuer, the Bank or any other Subsidiary of the Bank may (subject, in the case of Subordinated Notes, to the prior approval of the Regulator where required) at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Bank, surrendered to any Paying Agent for cancellation.

7.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.7 (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

7.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3, 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer or the Bank will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature (**Taxes**) imposed or levied by or on behalf of any Relevant Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Bank will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) the holder of which is liable for such Taxes in respect of such Note or Coupon by reason of their having some connection with a Relevant Jurisdiction other than the mere holding of such Note or Coupon;
- (b) presented for payment in a Relevant Jurisdiction;
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6); or
- (d) where such withholding or deduction is imposed pursuant to Sections 1471 through 1471 of the Code, any regulations or agreements thereunder, or any official interpretations thereof.

As used herein:

- (i) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys

having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and

- (ii) **Relevant Jurisdiction** means the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer), or the Emirate of Sharjah and the United Arab Emirates or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Bank) or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer or the Bank, as the case maybe, becomes subject in respect of payments by it of principal and interest on the Notes and Coupons.

9. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT

10.1 Events of Default relating to Senior Notes

This Condition 10.1 only applies to Senior Notes.

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

- (a) default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) the Issuer fails to perform or observe any of its other obligations under the Conditions or the Bank fails to perform or observe any of its other obligations under the Deed of Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by a Noteholder on the Issuer or the Bank (as the case may be) of notice requiring the same to be remedied; or
- (c) (i) any Indebtedness or Sukuk Obligation of the Issuer, the Bank or any of their respective Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Indebtedness or Sukuk Obligation becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of default (however described), (iii) any security given by the Issuer, the Bank or any of their respective Subsidiaries for any Indebtedness or Sukuk Obligation becomes enforceable and/or steps are taken to enforce the same, or (iv) the Issuer, the Bank or any of their respective Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any Guarantee of any Indebtedness or Sukuk Obligation, provided that each such event shall not constitute an Event of Default unless the aggregate amount of all such Indebtedness or Sukuk Obligation, either alone or when aggregated with all other Indebtedness or Sukuk Obligation in respect of which such an event shall have occurred and be continuing, shall be more than U.S.\$15,000,000 (or its equivalent in any other currency or currencies); or
- (d) one or more judgments or orders for the payment of any sum in excess of U.S.\$15,000,000 is rendered against the Issuer, the Bank or any of their respective Material Subsidiaries and continues unsatisfied, unstayed and unappealed (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days) for a period of 60 days after the date thereof; or
- (e) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, the Bank or any of their respective Material Subsidiaries; or

- (f) the Issuer, the Bank or of any of their respective Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially all of its business, or stops or threatens to stop payment of, or is unable to, or admits its inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
 - (g) (i) court or other proceedings are initiated against the Issuer, the Bank or any of their respective Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official, or an administrative or other receiver, manager, administrator, liquidator or other similar official is appointed, in relation to the Issuer, the Bank or any of their respective Material Subsidiaries or, as the case may be, in relation to the whole or substantially all of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or substantially all of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially all of the undertaking or assets of any of them and (ii) in any such case (other than the appointment of an administrator) is not discharged within 14 days; or
 - (h) the Issuer, the Bank or any of their respective Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
 - (i) any event occurs which under the laws of the Cayman Islands, the Emirate of Sharjah or the United Arab Emirates or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (e) to (h) above; or
 - (j) at any time it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Notes or it is or becomes unlawful for the Bank to perform or comply with any of its obligations under or in respect of the Deed of Guarantee or any of the obligations of the Issuer or the Bank thereunder are not or cease to be legal, valid, binding or enforceable; or
 - (k) by or under the authority of any government, (i) the management of the Issuer or the Bank or any of their respective Material Subsidiaries is wholly or substantially displaced or the authority of the Issuer, the Bank or any of their respective Material Subsidiaries in the conduct of its business is wholly or substantially curtailed or (ii) all or a majority of the issued share capital of the Issuer, the Bank or any of their respective Material Subsidiaries or the whole or substantially all of its revenues or assets are seized, nationalised, expropriated or compulsorily acquired; or
 - (l) the Deed of Guarantee ceases to be, or is claimed by the Issuer or the Bank not to be, in full force and effect; or
 - (m) the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by the Bank,
- then any holder of a Note may, by written notice to the Issuer or the Bank at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

10.2 Events of Default relating to Subordinated Notes

This Condition 10.2 only applies to Subordinated Notes.

- (a) If default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest, any Noteholder may institute proceedings in the Cayman Islands (but not elsewhere) for the dissolution and liquidation of the Issuer and in the United Arab Emirates or any Emirate therein (but not elsewhere) for the dissolution and liquidation of the Bank.

- (b) If any one or more of the following events shall occur and be continuing:
- (i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Bank; or
 - (ii) the Issuer or the Bank ceases or threatens to cease to carry on the whole or substantially all of its business, or stops or threatens to stop payment of, or is unable to, or admits its inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
 - (iii) (i) court or other formal proceedings are initiated against the Issuer or the Bank under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Bank or in relation to the whole or substantially all of the undertaking or assets of the Issuer or the Bank or an encumbrancer takes possession of the whole or substantially all of the undertaking or assets of the Issuer or the Bank, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially all of the undertaking or assets of the Issuer or the Bank and (ii) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
 - (iv) the Issuer or the Bank initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
 - (v) any event occurs which under the laws of the Cayman Islands, the Emirate of Sharjah or the United Arab Emirates or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iii) above,

then any holder of a Note may, by written notice to the Issuer or the Bank at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

- (c) To the extent permitted by applicable law and by these Conditions, a Noteholder may at its discretion institute such proceedings against the Issuer or the Bank as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer or the Bank, as the case may be, under the Notes, the Coupons or the Deed of Guarantee, but the institution of such proceedings shall not have the effect that the Issuer or the Bank, as the case may be, shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.
- (d) No remedy against the Issuer or the Bank, other than the institution of the proceedings referred to in paragraph (a) or (c) above and the proving or claiming in any dissolution and liquidation of the Issuer or the Bank, shall be available to the Noteholders or the Couponholders whether for the recovering of amounts owing in respect of the Notes or the Coupons or in respect of any breach by the Issuer or the Bank of any other obligation, condition or provision binding on it under the Notes or the Coupons.

10.3 Definitions

For the purposes of these Conditions:

- (a) **Guarantee** means, in relation to any Indebtedness or Sukuk Obligation of any Person, any obligation of another Person to pay such Indebtedness or Sukuk Obligation including (without limitation):
 - (i) any obligation to purchase such Indebtedness;
 - (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
 - (iv) any other agreement to be responsible for such Indebtedness or Sukuk Obligation;
- (b) **Indebtedness** means any indebtedness of any Person for money borrowed or raised including (without limitation) deposits and any indebtedness for or in respect of:
- (i) amounts raised by acceptance under any acceptance credit facility;
 - (ii) amounts raised under any note purchase facility;
 - (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
 - (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
 - (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (c) **Material Subsidiary** means, in relation to the Issuer or the Bank, any Subsidiary:
- (i) whose total assets represent not less than 10 per cent. of the consolidated total assets of the Issuer or the Bank (as the case may be) and its Subsidiaries taken as a whole; or
 - (ii) whose external revenues are not less than 10 per cent. of the consolidated revenues of the Issuer or the Bank (as the case may be) and its Subsidiaries taken as a whole,
- in each case in respect of the immediately preceding paragraphs (i) and (ii), as calculated by reference to the most recent audited consolidated financial statements of the Issuer or the Bank (as the case may be), or
- (iii) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary that immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary, but shall cease to be a Material Subsidiary under this paragraph (iii) (but without prejudice to the provisions of paragraphs (i) or (ii) above) upon publication of its next audited consolidated financial statements. If: (A) the Issuer or any other Subsidiary of the Bank or the Issuer (as the case may be) shall not in respect of any relevant financial period for whatever reason produce audited accounts; or (B) the Issuer or any other Subsidiary of the Bank or the Issuer (as the case may be) shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts for the same period as the period to which the latest audited consolidated accounts of the Issuer or the Bank (as the case may be) and its Subsidiaries relate, then there shall be substituted for the purposes of this definition the management accounts of the Issuer or such Subsidiary (as the case may be) for such period;
- A report by the Chief Executive Officer and the Chief Financial Officer (or any person who at any time carries out the equivalent functions of such person (regardless of such person's title)) of the Issuer or the Bank, as applicable, that in their opinion a Subsidiary is or was or was not at any particular time or throughout a specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;
- (d) **Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality; and
 - (e) **Sukuk Obligation** means any undertaking or other obligation to pay money given in connection with the issue of certificates whether or not in return for consideration of any kind.

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in

connection therewith and on such terms as to evidence and indemnity as the Principal Paying Agent or the Registrar, as the case may be, may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

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

- (a) there will at all times be a Principal Paying Agent and, in the case of Registered Notes, a Registrar and a Transfer Agent;
- (b) there will at all times be a Paying Agent in a jurisdiction other than the Relevant Jurisdiction; and
- (c) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

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

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in the Republic of Ireland (which is expected to be the Irish Times) or published on the website of Euronext Dublin (<https://live.euronext.com/en/markets/dublin>) or, if in either case such publication is not practicable, in a leading English Language newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a manner which complies with those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. CURRENCY INDEMNITY

If, under any applicable law and whether pursuant to a judgment being made or registered against the Issuer and/or the Bank or in the liquidation, insolvency or any similar process of the Issuer and/or the Bank or for any other reason, any payment under or in connection with the Notes or the Coupons is made or falls to be satisfied in a currency (the **other currency**) other than the Specified Currency, then, to the extent that the payment (when converted into the Specified Currency at the rate of exchange on the date of payment or, if it is not practicable for the relevant recipient to purchase the Specified Currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by the relevant recipient falls short of the amount due under these Conditions, the Issuer and the Bank jointly and severally undertake that they shall, as a separate and independent obligation, indemnify and hold harmless the recipient against the amount of the shortfall. For the purpose of this Condition, **rate of exchange** means the rate at which the relevant recipient is able on the London foreign exchange market on the relevant date to purchase the Specified Currency with the other currency and shall take into account any premium and other reasonable costs of exchange.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of videoconference platform) of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement or the Deed of Guarantee. Such a meeting may be convened by the Issuer or the Bank and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons present and holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes any matter defined in the Agency Agreement as a Basic Terms Modification, including the modification of the Deed of Guarantee or certain of these conditions (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the quorum shall be one or more persons present and holding or representing not less than two thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present and holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting at which such resolution was passed and whether or not voting, and on all Couponholders.

The Principal Paying Agent, the Issuer and the Bank may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of the Notes, the Coupons or the Agency Agreement which is, in the sole opinion of the Issuer and the Bank, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law; or
- (b) any modification (except a Basic Terms Modification (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes, the Coupons or the Agency Agreement which is, in the sole opinion of the Issuer and the Bank, not prejudicial to the interests of the Noteholders and the Couponholders.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of Electronic Consent through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Agency Agreement, the Deed of Guarantee, the Deed of Covenant, these Conditions (including the remaining provisions of this Condition 19), the Notes, the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

19.2 Arbitration

Subject to Condition 19.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Coupons and/or the Talons, these Conditions, the Agency Agreement, the Deed of Covenant or the Deed of Guarantee (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of the nullity of any of them and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (the **LCIA**) (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition 19.2. 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, shall have no connection with any party to the Dispute and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are

multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party-nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

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

19.3 Option to litigate

Notwithstanding Condition 19.2 above, any Noteholder or Couponholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer and the Bank:

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

require that a Dispute be heard by a court of law (a **Notice to Litigate**). If a Notice to Litigate is given, the Dispute to which such notice refers shall be determined in accordance with Condition 19.5 and, subject as provided below, any arbitration commenced under Condition 19.2 in respect of that Dispute will be terminated. Each party to the terminated arbitration will bear its own costs in relation thereto.

19.4 Termination of Arbitral Proceedings

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

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before their appointment is terminated;
- (b) their entitlement to be paid their 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.

19.5 Provisions relating to Judicial Proceedings

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

- (a) subject to paragraph (c) below, the courts of England or the courts of the Dubai International Financial Centre (**DIFC**), each at the option of any Noteholder or Couponholder, shall have exclusive jurisdiction to settle any Dispute and each of the Issuer and the Bank irrevocably submits to the exclusive jurisdiction of such courts;
- (b) each of the Issuer and the Bank has waived any objection to the courts of England or the courts of the DIFC on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute and will not argue to the contrary; and
- (c) this Condition 19.5 is for the benefit of the Noteholders and the Couponholders only. As a result, and notwithstanding paragraphs (a) and (b) above, the Noteholders and Couponholders may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, any Noteholders or Couponholder may take concurrent Proceedings in any number of jurisdictions.

19.6 Appointment of Process Agent

Each of the Issuer and the Bank irrevocably appoints Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom as its authorised agent for service of process in England. If for any reason such agent shall be unable or unwilling to act as agent for service of process, the Issuer and the Bank shall forthwith appoint a new agent for service of process in England and shall notify the Noteholders and Couponholders of such appointment. The Issuer and the Bank will procure that, so long as any

of the Notes remains outstanding, a person with an office in London shall be appointed to accept service. The Issuer and the Bank each agree that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition 19 shall affect the right to serve process in any other manner permitted by law.

19.7 Waiver of immunity

To the extent that the Issuer or the Bank may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or the Bank or its assets or revenues, each of the Issuer and the Bank agrees not to claim and irrevocably and unconditionally waives such immunity to the fullest extent permitted by the laws or such jurisdiction. Further, each of the Issuer and the Bank irrevocably and unconditionally consents 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.

19.8 Other documents

Each of the Issuer and the Bank, where applicable, has in the Agency Agreement, the Deed of Guarantee and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be lent by the Issuer to the Bank and will be applied by the Bank for its general corporate purposes.

DESCRIPTION OF THE ISSUER

General

The Issuer, a Cayman Islands exempted company with limited liability, was incorporated on 27 April 2015 under the Companies Act (As Revised) of the Cayman Islands with company registration number 299164. The registered office of the Issuer is at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands with telephone number +1 345 949 8066.

The authorised share capital of the Issuer is U.S.\$50,000 divided into ordinary shares of a nominal or par value of U.S.\$1.00 each. As at the date hereof, 100 ordinary shares with a par value of U.S.\$1.00 each had been issued and all of the issued shares are fully-paid and are held by the Bank.

Business of the Issuer

The Issuer is a special purpose entity which is a wholly owned subsidiary of the Bank and which has been established for the purpose of: (i) issuing the 2015 Notes and entering into the transactions contemplated by the documents referred to in the prospectus in connection with the 2015 Notes to which it is a party, and (ii) issuing the Notes under the Programme and entering into the transactions contemplated by the documents referred to in this Base Prospectus to which it is or will be a party.

The Issuer has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the 2015 Notes and any Notes issued under the Programme.

Directors of the Issuer

The management of the Issuer is conducted by a board of directors that consists of the following:

Directors:

Name:	Principal Occupation:
Sheikh Mohammed Bin Saud Al Qasimi	Vice Chairman, Non-Executive Director of the Bank
Varouj Nerguizian	Chief Executive Officer of the Group
Mario Tohme	General Manager, Operations of the Group

The business address of each of the directors is Bank of Sharjah, Al Khan Street, P.O. Box 1394, Sharjah, United Arab Emirates.

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

Financial Statements

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

SELECTED FINANCIAL INFORMATION

The selected financial information below has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the 2020 Financial Statements and 2019 Financial Statements (and, in each case, the notes thereto), which have each been incorporated by reference and form part of this Base Prospectus.

The ratios included herein have been prepared based on management information and information in the 2020 Financial Statements and 2019 Financial Statements. Certain metrics in "Key Financial Ratios" below constitute APMs for the purposes of the ESMA Guidelines. See "Presentation of Group Financial Information".

Consolidated Income Statement

	For the year ended 31 December		
	2020	2019	2018
	(AED'000)		
Interest income	1,430,779	1,388,048	1,268,889
Interest expense	(861,283)	(972,393)	(756,166)
Net interest income	569,496	415,655	512,723
Net fee and commission income	106,438	159,823	172,866
Exchange profit	155,999	11,532	14,928
(Loss)/income on investments	(20,415)	21,740	31,303
Revaluation loss on properties and shares	(191,187)	(84,677)	(25,635)
Other income	42,639	40,034	15,292
Operating income	662,970	564,107	721,477
Net impairment loss on financial assets	(744,459)	(438,654)	(251,785)
Goodwill impairment	-	(273,559)	-
Net operating (loss)/income	(81,489)	(148,106)	469,692
Other non-operating income	449,338	-	-
Personnel expenses	(217,742)	(183,721)	(197,723)
Depreciation	(65,219)	(34,862)	(27,915)
Other expenses	(118,101)	(99,283)	(91,762)
Amortisation of intangible assets	(4,401)	(5,910)	(5,910)
Loss on monetary position	(577,037)	-	-
(Loss)/profit before taxes	(614,651)	(471,882)	146,382
Income tax expense – overseas	(51,745)	(15,802)	(16,680)
Net (loss)/profit for the year	(666,396)	(487,684)	129,702
Attributable to:			
Equity holders of the Bank	(654,883)	(494,195)	127,455
Non-controlling interests	(11,513)	6,511	2,247
Net (loss)/profit for the year	(666,396)	(487,684)	129,702
Basic and diluted earnings/(loss) per share (AED)	(0.31)	(0.24)	0.06

Consolidated Statement of Financial Position

	As at 31 December		
	2020	2019	2018
	(AED'000)	(restated) (AED'000)	(AED'000)
ASSETS			
Cash and balances with central banks.....	5,534,099	5,851,994	4,636,343
Deposits and balances due from banks	129,046	350,287	507,785
Reverse-repo placements	114,234	457,291	849,188
Loans and advances, net	19,455,607	17,735,756	17,301,105
Investments measured at fair value.....	420,978	619,478	817,319
Investments measured at amortised cost.....	4,240,833	452,219	671,554
Investment properties.....	767,594	756,037	608,473
Goodwill and other intangibles.....	40,370	25,861	416,056
Assets acquired in settlement of debt.....	4,020,165	4,044,572	2,113,117
Other assets	868,248	1,003,811	894,390
Derivative assets held for risk management.....	49,730	20,400	3,590
Property and equipment.....	502,586	370,920	304,577
Total Assets	36,143,490	31,688,626	29,123,497
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	23,672,584	21,326,234	20,119,169
Deposits and balances due to banks.....	240,915	42,989	304,931
Repo borrowings.....	2,438,842	130,230	-
Other liabilities	1,655,840	1,565,300	1,267,702
Derivative liabilities held for risk management	15,941	7,577	62,808
Issued bonds	4,953,951	5,597,926	3,589,972
Total liabilities.....	32,978,073	28,670,256	25,344,582
Equity			
Capital and reserves			
Share capital	2,100,000	2,100,000	2,100,000
Statutory reserve	1,050,000	1,050,000	1,050,000
Contingency reserve	640,000	640,000	600,000
General and other reserves.....	288,962	293,109	250,257
Investment fair value reserve.....	(740,095)	(682,249)	(535,375)
(Accumulated losses)/retained earnings.....	(182,157)	(402,710)	300,324
Equity attributable to equity holders of the Bank	3,156,710	2,998,150	3,765,206
Non-controlling interests	8,707	20,220	13,709
Total equity	3,165,417	3,018,370	3,778,915
Total liabilities and equity.....	36,143,490	31,688,626	29,123,497

Funding

An analysis of the Group's funding is set out under "Financial Review—Financial Position as at 31 December 2020 and 2019—Liabilities and equity" and "Financial Review—Financial Position as at 31 December 2019 and 2018—Liabilities and equity".

Commitments and contingent liabilities

Credit-related commitments include commitments to extend credit, standby letters of credit, and guarantees which are designed to meet the requirements of the Group's customers.

Commitments to extend credit represent contractual commitments to make loans and advances and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

These contracts would have market risk if issued or extended at a fixed rate of interest. However, these contracts are primarily made at zero or floating interest rates.

The table below sets out the Group's commitments and contingent liabilities as at 31 December 2020, 31 December 2019 and 31 December 2018.

	As at 31 December		
	2020	2019	2018
		(audited) (AED'000)	
Financial guarantees for loans	295,439	282,226	338,716
Other guarantees	2,277,640	2,581,167	2,405,593
Letters of credit.....	1,375,540	830,317	1,092,173
	3,948,619	3,693,710	3,836,482
Irrevocable commitments to extend credit	1,454,998	1,626,507	1,577,285
	5,403,617	5,320,217	5,413,767

Consolidated Statement of Comprehensive Income

	For the year ended 31 December		
	2020	2019	2018
		(audited) (AED'000)	
Net (loss)/profit for the year	(666,396)	(487,684)	129,702
Other comprehensive (loss)/income items			
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>			
Net changes in fair value of financial assets measured at fair value through other comprehensive income	(58,546)	(104,488)	(220,519)
Net changes in fair value of own credit risk on financial liabilities designated at fair value through profit or loss.....	700	(42,386)	93,408
Total other comprehensive (loss)/income for the year	(57,846)	(146,874)	(127,111)
Total comprehensive (loss)/income for the year	(724,242)	(634,558)	2,591
Attributable to:			
Equity holders of the Bank	(712,729)	(641,069)	344
Non-controlling interests	(11,513)	6,511	2,247
Total comprehensive (loss)/income for the year	(724,242)	(634,558)	2,591

Consolidated Statement of Cash Flows

	For the year ended 31 December		
	2020	2019	2018
		(audited) (AED'000s)	
Cash flows from operating activities			
Net (loss)/profit for the year	(614,651)	(471,882)	129,702
Adjustments for:			
Depreciation of property and equipment.....	65,219	34,862	27,915
Amortisation of other intangible assets	4,401	5,910	5,910
Amortisation of premium on debt instruments	627	621	506
Loss on sale of investment properties	-	1,000	-
Gain on sale on assets acquired in settlement of debts.....	-	(22,547)	15
Gain on sale on fixed assets	(1,073)	-	-
Net fair value loss/(gain) on issued debt securities	23,837	2,534	(54,874)
Net fair value (gain)/loss on interest rate swaps	(23,837)	(2,534)	54,874
Net fair value loss/(gain) on other financial assets	37,952	(398)	(17,145)
Fair value (gain)/loss on revaluation of investment properties	107,524	(17,353)	12,138
Unrealised loss on assets acquired on settlement of debts	83,663	100,676	13,497
Net impairment loss on financial assets	744,459	438,654	251,785
Dividend income.....	(16,187)	(20,047)	(15,091)
Goodwill impairment.....	-	273,559	-
Loss on monetary position.....	577,037	-	-
Operating profit before changes in operating assets and liabilities	988,971	323,055	409,232
Deposits and balances due from banks maturing after three months	-	91,935	(28,134)
Statutory deposits with central banks.....	(43,415)	(15,763)	69,468
Loans and advances	(2,060,256)	(574,091)	(927,131)
Other assets.....	86,258	(2,145,882)	25,909
Customers' deposits	2,346,350	1,207,065	(1,511,302)
Other liabilities	125,560	200,201	247,961
Cash generated from/(used in) operating activities.....	1,443,468	(913,480)	(1,713,997)
Payment of directors' remuneration and charity donations	(7,500)	(18,306)	(18,967)
Net cash generated from/(used in) operating activities.....	1,435,968	(931,786)	(1,732,964)
Cash flows from investing activities			
Purchase of property and equipment.....	(9,882)	(20,281)	(63,992)
Proceeds from sale of property and equipment	10,210	26,491	307
Purchase of other financial assets	(3,868,406)	(62,281)	(35,753)
Additions to investment properties	(119,082)	(130,211)	(210,944)
Proceeds from sale of other financial assets	243,672	374,745	117,828
Dividend received.....	16,187	20,047	15,091
Net cash (used in)/generated from investing activities	(3,727,301)	208,510	(177,463)
Cash flows from financing activities			
Issued bonds	-	3,023,560	-
Partial settlement of bonds.....	(721,539)	(1,126,931)	-
Payment of lease liabilities	(15,220)	-	-
Net cash (used in)/generated from financing activities	(736,759)	1,896,629	-
Net (decrease)/increase in cash and cash equivalents	(3,028,092)	1,173,353	(1,910,427)
Cash and cash equivalents at the beginning of the year	4,386,283	3,212,930	5,113,748
Cash and cash equivalents at the end of the year	1,358,191	4,386,283	3,203,321

Key Financial Ratios

The following table sets out certain key ratios calculated with results derived from the Financial Statements. These ratios (other than the capital adequacy ratio and earnings per share) are not calculated on the basis of IFRS and are not IFRS measures of financial performance. These ratios (other than the capital adequacy ratio and earnings per share) constitute APMs for the purposes of the ESMA Guidelines. See "*Presentation of financial information*".

	As at / for the year ended 31 December		
	2020	2019	2018
	(% unless otherwise stated)		
Net interest margin ⁽¹⁾	1.68	1.37	1.72
Net loans/total assets ⁽²⁾	53.8	56.0	59.41
Customers' deposits/total assets ⁽³⁾	65.5	67.3	69.08
Net advances to total deposits ratio ⁽⁴⁾	82.19	83.16	85.99
Liquid assets ratio ⁽⁵⁾	9.38	16.66	16.04
Cost to income ratio ⁽⁶⁾	61.16	70.05	59.59
ASRR ⁽⁷⁾	91.31	80.26	80.94
Return on equity ⁽⁸⁾	(21.55)	(14.35)	3.31
Return on assets ⁽⁹⁾	(1.96)	(1.60)	0.43
Non performing financings ratio ⁽¹⁰⁾	12.68	13.62	11.01
Non performing financings provisions ratio ⁽¹¹⁾	71.65	69.16	94.11
Capital adequacy ratio ⁽¹²⁾	10.71	11.59	14.29
Earnings/(loss) per share (AED)	(0.31)	(0.24)	0.06

Notes:

- (1) Net interest income divided by average total assets.
- (2) Net loans and advances divided by total assets.
- (3) Customers' deposits divided by total assets.
- (4) Net loans and advances divided by customer deposits. Calculated in accordance with UAE Central Bank regulations.
- (5) Total high quality liquid assets divided by total liabilities. Calculated in accordance with UAE Central Bank regulations.
- (6) Total operating cost divided by total gross operating income (excluding provisions).
- (7) Gross amount of loans and advances divided by total stable resources. Calculated in accordance with UAE Central Bank regulations.
- (8) Net profit for the year divided by average total equity.
- (9) Net profit for the year divided by average total assets.
- (10) Non-performing loans divided by gross amount of loans and advances.
- (11) Total impairment provision (including the portfolio provision for risk inherent in the Group's portfolio) divided by total non-performing loans.
- (12) Calculated in accordance with UAE Central Bank regulations.

FINANCIAL REVIEW

The following discussion contains an analysis of the audited consolidated results of operations of the Group as at and for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 and of the unaudited condensed consolidated interim financial information as at and for the nine-month period ended 30 September 2021 and should be read in conjunction with the Financial Statements. Unless otherwise specified, the financial data discussed below has been extracted without material adjustment from the financial statements referred to above.

References in this financial review to 2018, 2019 and 2020 are for the 12 months ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively. The percentage or percentage changes in this financial review are based on the amounts reported in the Group's financial statements referred to above. As a result, percentage or percentage changes stated in this financial review may not be an exact arithmetical change of the numbers stated in this financial review. As a result of rounding, the totals stated in the tables and text below may not be an exact arithmetical sum of the numbers in respect of which they are expressed to be a total.

Business Overview

The Bank is a public joint stock company incorporated by an Amiri Decree issued on 22 December 1973 by His Highness Sheikh Dr. Sultan Bin Mohammed Al Qasimi, the ruler of Sharjah and was registered in February 1993 under the Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced operations in May 1974 and is primarily a corporate bank, catering to UAE-based businesses. It offers general banking services, project finance, trade facilities, syndicated loans, and short-to-medium term loans. In July 2007, the Bank acquired Emirates Lebanon Bank S.A.L. (**Emirates Lebanon Bank**), which offers comparable products and services.

As at 31 December 2020, the Group's total assets were AED 36.1 billion, an increase of 14.1 per cent. from AED 31.7 billion as at 31 December 2019, which was an 8.8 per cent. increase from AED 29.1 billion as at 31 December 2018. In 2020, the Group recorded a net loss for the year of AED 666.4 million. In 2019, the Group recorded a net loss for the year of AED 487.7 million compared to a net profit for the year of AED 129.7 million in 2018. The Group's total equity was AED 3.2 billion as at 31 December 2020.

Significant Accounting Policies

Certain of the Group's accounting policies require significant managerial judgment on matters that are inherently uncertain, including the valuation of certain assets and liabilities and the adoption of estimates and assumptions based on historical experience and other factors considered reasonable and significant by the Bank.

The Bank has established policies and control procedures intended to ensure that stringent valuation methods are applied in accordance with applicable accounting principles during the presentation of its Financial Statements.

For further detail on accounting policies, see Notes 2 and 4 of the 2020 Financial Statements.

Hyperinflation

The International Monetary Fund (the **IMF**) publishes inflation forecasts. Applying the October 2020 IMF inflation forecast information and the indicators laid out in IAS 29, the Lebanese economy is considered a hyperinflationary economy for the purposes of applying IAS 29 and for retranslation of foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" in the 2020 Financial Statements and the 2021 Interim Financial Statements.

Consequently, the Group has applied IAS 29 "Financial reporting in hyperinflationary economies" to Emirates Lebanon Bank from 1 January 2020 and for financial reporting purposes for the year ended 31 December 2020 and the nine month period ended 30 September 2021.

In line with IAS 29, the financial statements of Emirates Lebanon Bank have been restated by applying a general price index to the historical cost, in order to reflect the changes in the purchasing power of the LBP, on the closing date of the financial statements. The non-monetary items of the statement of financial position as well as the income statement, statement of other comprehensive income and statement of cash flows of Emirates Lebanon Bank have been adjusted for inflation and re-expressed in accordance with the variation of the consumer price index (**CPI**), at the presentation date of its financial statements. The re-expression of non-monetary items is made from the date of initial recognition in the statements of financial position and considering that the financial statements are prepared under the historical cost criterion. In respect of the 2020 Financial Statements, the CPI at the beginning of the reporting period was 115.54 and

closed at 284.04 and in respect of the 2021 Interim Financial Statements, the CPI as at the beginning of the reporting period was 284.04 and closed at 613.96.

The gain or loss on the net monetary position which has been derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of comprehensive income is recognised in the statement of profit or loss. During 2020, the resulting loss on the net monetary position for Emirates Lebanon Bank was AED 577 million. For the nine-month period ended 30 September 2021, the loss on monetary position for Emirates Lebanon Bank was AED 1,491 million.

The comparative amounts in the consolidated financial statements presented in a stable currency are not adjusted for subsequent changes in the price level or exchange rates. Opening equity reporting in the stable currency is affected by the cumulative effect of restating non-monetary items at the subsidiary level from the date they were first recognised and the effect of translating those balances to the closing rate. This resulted in a difference of AED 879 million between the closing equity of 2019 and the opening equity of 2020 and a difference of AED 1,866 million between the closing equity at 1 January 2021 and the opening equity at 30 September 2021. In each instance, this is recorded under equity.

The following tables summarise the effects of hyperinflation accounting on the various income components as at and for the periods indicated.

As at and for the nine-month period ended 30 September 2021:

	Before Hyperinflation	Hyperinflation impact	After Hyperinflation
		<i>AED'000</i> <i>(unaudited)</i>	
Net profit/ (loss).....	175,058	(1,475,438)	(1,300,380)
Total comprehensive profit/ (loss).....	223,759	(1,475,438)	(1,251,679)
Accumulated Hyperinflation effect on equity - 31.12.2020.....		236,269	
Hyperinflation effect on equity - 9 months 2021		1,865,977	
Equity	3,140,926	626,808	3,767,734

As at and for the year ended 31 December 2020:

	Before Hyperinflation	Hyperinflation impact	After Hyperinflation
		<i>AED'000</i> <i>(audited)</i>	
Net loss	(23,891)	(642,505)	(666,396)
Total comprehensive loss	(81,737)	(642,505)	(724,242)
Hyperinflation effect on equity - 12 months 2020		878,774	
Equity	2,929,148	236,269	3,165,417

Consolidated statement of financial position before and after hyperinflation and additional ECL overlays related to Emirates Lebanon Bank

	After hyperinflation and additional ECL overlays related to Emirates Lebanon Bank 2020 (AED'000)	Before hyperinflation and additional ECL overlays related to Emirates Lebanon Bank 2020 (AED'000)
ASSETS		
Cash and balances with central banks	5,534,099	5,734,099
Deposits and balances due from banks	129,046	129,046
Reverse-repo placements	114,234	114,234
Loans and advances, net	19,455,607	19,455,607
Investments measured at fair value	420,978	420,978
Investments measured at amortised cost	4,240,833	4,240,833
Investment properties	767,594	767,594
Goodwill and other intangibles	40,370	24,609
Assets acquired in settlement of debt	4,020,165	3,931,502
Other assets	868,248	868,248
Derivative assets held for risk management	49,730	49,730
Property and equipment	502,586	329,028
Total Assets	36,143,490	36,065,508
LIABILITIES AND EQUITY		
Liabilities		
Customers' deposits	23,672,584	23,672,584
Deposits and balances due to banks	240,915	240,915
Repo borrowings	2,438,842	2,438,842
Other liabilities	1,655,840	1,614,143
Derivative liabilities held for risk management	15,941	15,941
Issued bonds	4,953,951	4,953,951
Total liabilities	32,978,073	32,936,376
Equity		
Capital and reserves		
Share capital	2,100,000	2,100,000
Statutory reserve	1,050,000	1,050,000
Contingency reserve	640,000	640,000
General and other reserves	288,962	291,962
Investment fair value reserve	(740,095)	(740,095)
(Accumulated losses)/retained earnings	(182,157)	(221,442)
Equity attributable to equity holders of the Bank	3,156,710	3,120,425
Non-controlling interests	8,707	8,707
Total equity	3,165,417	3,120,425
Total liabilities and equity	36,143,490	36,065,508

Consolidated income statement before and after hyperinflation and additional ECL overlays related to Emirates Lebanon Bank

	After hyperinflation and additional ECL overlays related to Emirates Lebanon Bank	Before hyperinflation and additional ECL overlays related to Emirates Lebanon Bank
	2020	2020
Interest income	1,430,779	1,282,247
Interest expense	(861,283)	(808,843)
Net interest income	569,496	473,404
Net fee and commission income	106,438	95,599
Exchange profit.....	155,999	153,510
(Loss)/income on investments	(20,415)	(20,423)
Revaluation loss on properties and shares	(191,187)	(191,187)
Other income	42,639	42,490
Operating income	662,970	553,393
Net impairment loss on financial assets	(744,459)	(484,115)
Net operating (loss)/income.....	(81,489)	69,278
Other non-operating income	449,338	449,338
Personnel expenses	(217,742)	(187,676)
Depreciation	(65,219)	(38,707)
Other expenses.....	(118,101)	(106,097)
Amortisation of intangible assets	(4,401)	(1,252)
Loss on monetary position.....	(577,037)	-
(Loss)/profit before taxes.....	(614,651)	184,884
Income tax expense – overseas	(51,745)	(8,776)
Net (loss)/profit for the year.....	(666,396)	176,108

Sensitivity of Financial Statements to LBP exchange rates

The assets and liabilities of Emirates Lebanon Bank as of 30 September 2021 and 31 December 2020 are included in the 2021 Interim Financial Statements and 2020 Financial Statements, respectively, and converted to AED, which is pegged to the U.S. dollar at the official exchange rate of U.S.\$1 = LBP 1,507.5. This official exchange rate significantly varies from both the Central Bank of Lebanon platform rate of U.S.\$1 = LBP 3,900 (which is not widely used) and exchange rates in the parallel markets (available via various mechanisms) of U.S.\$1 = LBP 17,350 as at 30 September 2021 and U.S.\$1 = LBP 8,412.5 as at 31 December 2020. The following table sets out a sensitivity analysis showing the effect of both the Central Bank of Lebanon platform rate and the parallel markets rate as at 30 September 2021 on the 2021 Interim Financial Statements.

Exchange rate applied	Change in total assets	Change in total liabilities	Change in net profit	Change in equity
USD1 = LBP 3,900	(895,085)	(301,919)	944,679	(593,165)
Effect on Group (%).....	(2)	(1)	(73)	(16)
USD1 = LBP 17,350	(1,332,297)	(449,395)	1,406,116	(882,902)
Effect on Group (%).....	(3)	(1)	(108)	(23)

SELECTED FINANCIAL RATIOS

The following table sets out certain key ratios calculated with results derived from the 2021 Interim Financial Statements. These ratios (other than the capital adequacy ratio and earnings per share) are not calculated on the basis of IFRS and are not IFRS measures of financial performance. These ratios (other than the capital adequacy ratio and earnings per share) constitute APMs for the purposes of the ESMA Guidelines. See "Presentation of financial information".

As at / for the nine-month period ended 30 September 2021	As at / for the year ended 31 December 2020
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	(% unless otherwise stated)	
Net interest margin ⁽¹⁾	3.40	1.68
Net advances to total deposits ratio ⁽²⁾	80.77	82.19
Cost to income ratio ⁽³⁾	49.78	61.16
Return on equity ⁽⁴⁾	(50.02)	(21.55)
Return on assets ⁽⁵⁾	(4.65)	(1.96)
Non performing financings ratio ⁽⁶⁾	14.34	12.68
Non performing financings provisions ratio ⁽⁷⁾	64.50	71.65
Capital adequacy ratio ⁽⁸⁾	10.81	10.71
(Loss)/earnings per share (AED)	(0.59)	(0.31)

Notes:

- (1) Net interest income divided by average total assets.
(2) Net loans and advances divided by customer deposits. Calculated in accordance with UAE Central Bank regulations.
(3) Total operating cost divided by total gross operating income (excluding provisions).
(4) Net loss for the period divided by average total equity.
(5) Net loss for the period divided by average total assets.
(6) Non-performing loans divided by gross amount of loans and advances.
(7) Total impairment provision (including the portfolio provision for risk inherent in the Group's portfolio) divided by total non-performing loans.
(8) Calculated in accordance with UAE Central Bank regulations.

RESULTS OF OPERATIONS AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 COMPARED TO THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

Net interest income

The following table sets out the Group's net interest income for the nine-month period ended 30 September 2021 and the nine-month period ended 30 September 2020.

	For the nine-month period ended 30 September	
	2021	2020
	(AED'000)	
Interest income	952,644	909,836
Interest expense	(539,413)	(619,784)
Net interest income	413,231	290,052

The Group's net interest income for the nine-month period ended 30 September 2021 increased by 42.5 per cent. to AED 413.2 million from AED 290.1 million for the nine-month period ended 30 September 2020. This increase was principally a result of a 13 per cent. decrease in interest expense due to the repayment of a bond issuance which matured in 2020 and lower rates across the market generally.

Net operating income

Non-interest income

The following table sets out the Group's non-interest income for the nine-month period ended 30 September 2021 and 30 September 2020.

	For the nine-month period ended 30 September	
	2021	2020
	(AED'000)	
Net fee and commission income	140,822	71,389
Exchange profit/(loss)	8,180	147,688
Income/(loss) on investments	67,983	(24,763)
Other income	34,620	272,580
Operating income	664,836	756,946

The Group's non-interest income for the nine-month period ended 30 September 2021 amounted to AED 251.6 million compared to AED 466.9 million for the nine-month period ended 30 September 2020. This was principally a result of the recognition of income of investments amounting to AED 68 for the nine-month period ended 30 September 2021 compared to a loss of AED 24.8 million for the nine-month period ended 30 September 2020. In addition, the Group's net fee and commission income for the nine-month period ended 30 September 2021 increased by 97.3 per cent. to AED 140.8 million from AED 71.4 million for the nine-month period ended 30 September 2020.

Operating income

As a result of the foregoing, the Group's operating income for the nine-month period ended 30 September 2021 decreased by 12.2 per cent. to AED 664.8 million from AED 756.9 million for the nine-month period ended 30 September 2020.

Net impairment reversal / (loss) on financial assets

For the nine-month period ended 30 September 2021, the Group recognised a net impairment loss on financial assets of AED 87.3 million compared to a net impairment loss on financial assets of AED 390.1 million for the nine-month period ended 30 September 2020.

Net operating income / (loss)

As a result of the foregoing, the Group's recognised net operating income for the nine-month period ended 30 September 2021 amounting to AED 577.6 million compared to AED 366.9 million for the nine-month period ended 30 September 2020.

Loss on monetary position

For the nine-month period ended 30 September 2021, the Group recognised a loss on monetary position amounting to AED 1,491.2 million as a result of the effect of hyperinflation in Lebanon on Emirates Lebanon Bank (see "*Hyperinflation*" above and "*Presentation of Financial and Other Information—Presentation of Financial Information—Hyperinflation*").

General and administrative expenses

The Group's general and administrative expenses for the nine-month period ended 30 September 2021 increased by 48.5 per cent. to AED 323.8 million from AED 218 million for the nine-month period ended 30 September 2020. This increase was principally a result of an increase in depreciation.

Net loss for the period

As a result of the foregoing, the Group's net loss for the nine-month period ended 30 September 2021 increased by 1112.9 per cent. to AED 1,300.4 million from profit of AED 128.4 million for the nine-month period ended 30 September 2020.

FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

The Group's net loans and advances increased by 4.5 per cent. to AED 20.3 billion as at 30 September 2021 compared to AED 19.5 billion as at 31 December 2020 and the Group's total assets increased by 6.5 per cent. to AED 38.5 billion as at 30 September 2021 compared to AED 36.1 billion as at 31 December 2020.

The Group's total customers' deposits increased by 6.3 per cent. to AED 25.2 billion as at 30 September 2021 compared to AED 23.7 billion as at 31 December 2020. The Group's total equity increased by 19 per cent. to AED 3.8 billion as at 30 September 2021 compared to AED 3.2 billion as at 31 December 2020. This increase was principally a result of the effect of hyperinflation in Lebanon on Emirates Lebanon Bank (see "*Hyperinflation*" above and "*Presentation of Financial and Other Information—Presentation of Financial Information—Hyperinflation*").

In February 2021, the Bank issued U.S.\$125,000,000 2 per cent. Notes due 2022 under this Programme.

RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019

Net interest income

The following table sets out the Group's net interest income for the years ended 31 December 2020 and 31 December 2019.

For the year ended 31 December		Percentage
2020	2019	change
<i>(AED'000)</i>		<i>(%)</i>

Interest income	1,430,779	1,388,048	3.1
Interest expense	(861,283)	(972,393)	(11.4)
Net interest income	569,496	415,655	37.0

The Group's net interest income increased by 37.0 per cent. from AED 415.7 million in 2019 to AED 569.5 million in 2020. This increase was principally the result of a 3.1 per cent. increase in interest income from AED 1,388.0 million in 2019 to AED 1,430.8 million in 2020 and an 11.4 per cent. decrease in interest expense from AED 972.4 million in 2019 to AED 861.3 million in 2020.

The increase in the Group's interest income in 2020 was principally the result of a 114.2 per cent. increase in interest income from certificates of deposit and treasury bills with central banks and debt instruments from AED 68.9 million in 2019 to AED 147.6 million in 2020 and a 2.3 per cent. increase in interest income from loans and advances from AED 1,185.6 million in 2019 to AED 1,212.3 million in 2020.

The decrease in the Group's interest expense in 2020 was principally the result of a 17.3 per cent. decrease in interest expense in respect of customers' deposits from AED 784.0 million in 2019 to AED 648.2 million in 2020.

Net operating income

Non-interest income

The following table sets out the Group's non-interest income in 2020 and 2019.

	For the year ended 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Net fee and commission income	106,438	159,823	(33.4)
Exchange profit.....	155,999	11,532	1,252.7
(Loss)/income on investments	(20,415)	21,740	(193.9)
Revaluation loss on investment properties.....	(191,187)	(84,677)	125.8
Other income	42,639	40,034	6.5
Operating income	662,970	564,107	17.5

Non-interest income was principally generated through fees and commissions and constituted 14.1 per cent. of the Group's operating income in 2020 and 26.3 per cent. of the Group's total operating income in 2019.

The Group's non-interest income decreased by 37.0 per cent. from AED 148.5 million in 2019 to AED 93.5 million in 2020. This decrease was principally the result of:

- a 125.8 per cent. increase in revaluation loss of properties and shares from AED 84.7 million in 2019 to AED 191.2 million in 2020 due to property price movements generally;
- a 33.4 per cent. decrease in net fee and commission income from AED 159.8 million in 2019 to AED 106.4 million in 2020 (principally due to a decrease in corporate banking credit related fees and a decrease in trade finance activities); and
- a loss on investments of AED 20.4 million in 2020 compared to income on investments of AED 21.7 million in 2019,

partially offset by a 1,252.7 per cent. increase in exchange profit from AED 11.5 million in 2019 to AED 156.0 million in 2020 (due to an AED 139 million transaction in Lebanon).

Operating income

As a result of the foregoing, the Group's operating income in 2020 increased by 17.5 per cent. from AED 564.1 million in 2019 to AED 663.0 million in 2020.

Net impairment loss on financial assets

The Group's net impairment loss on financial assets increased by 69.7 per cent. from AED 438.7 million in 2019 to AED 744.5 million in 2020. This increase was principally the result of additional provision booked at the Group level as well as the effect on hyperinflation in Lebanon on Emirates Lebanon Bank (see further "*Presentation of Financial and Other Information—Presentation of Financial Information—Hyperinflation*" and "*—Hyperinflation*" above).

The following table sets out the Group's net impairment loss on financial assets in 2020 and 2019.

	Opening balance	Net charge/ (reversal) during the period	Recoveries net of write off during the period	Closing balance	Net charge during the year ended 31 December 2019
			(AED'000)		
Cash and balances with central banks.....	297,731	412,377	-	710,108	289,349
Deposits and balances due from banks	10,670	(9,053)	-	1,617	9,788
Reverse-repo placements	422	730	-	1,152	76
Loans and advances	1,844,622	131,396	(32,065)	1,943,953	75,862
Investments	34,265	149,411	-	183,676	30,236
Unfunded exposure	121,820	9,709	-	131,529	5,091
Other assets	5,280	(5,280)	-	-	5,280
Others	-	(5,174)	-	(5,174)	22,972
	2,314,810	684,116	(32,065)	2,966,861	438,654
Hyperinflation		60,343			
Total after hyperinflation effect		744,459			

The Group's non-performing financings provisions ratio in 2020 was 71.65 per cent. compared to 69.16 per cent. in 2019. This ratio does not take into consideration mortgaged properties and other realisable collateral available against impaired loans.

Net operating loss

As a result of the foregoing, the Group recorded a net operating loss in 2020 of AED 81.5 million in 2020 compared to a net operating loss of AED 148.1 million in 2019.

Profit for the year

General and administrative expenses

The following table sets out the components of the Group's general and administrative expenses in 2020 and 2019.

	For the year ended 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Personnel expenses	217,742	183,721	18.5
Depreciation	65,219	34,862	87.1
Other expenses	118,101	99,283	19.0
	401,062	317,866	26.2

The Group's general and administrative expenses increased by 26.2 per cent. from AED 317.9 million in 2019 to AED 401.1 million in 2020. This increase was principally the result of an 18.5 per cent. increase in personnel expenses from AED 183.7 million in 2019 to AED 217.7 million in 2020 and an 87.1 per cent. increase in depreciation from AED 34.9 million in 2019 to AED 65.2 million in 2020.

Salaries and employee related expenses constituted 54 per cent. of the Group's total general and administrative expenses in 2020.

Net loss for the year

As a result of the foregoing, the Group reported a net loss for the year of AED 666.4 million in 2020 compared to a net loss for the year of AED 487.7 million in 2019.

FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2019

Total assets

The following table sets out the components of the Group's total assets as at 31 December 2020 and 31 December 2019.

As at 31 December	Percentage change
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	2020	2019	2020/2019
	(AED'000)		(%)
Cash and balances with central banks.....	5,534,099	5,851,994	(5.4)
Deposits and balances due from banks	129,046	350,287	(63.2)
Reverse-repo placements	114,234	457,291	(75.0)
Loans and advances, net	19,455,607	17,735,756	9.7
Other financial assets measured at fair value	420,978	619,478	(32.0)
Other financial assets measured at amortised cost	4,240,833	452,219	837.8
Investment properties.....	767,594	756,037	1.5
Goodwill and other intangibles.....	40,370	25,861	56.1
Assets acquired in settlement of debt.....	4,020,165	4,044,572	(0.6)
Other assets	868,248	1,003,811	(13.5)
Derivative assets held for risk management.....	49,730	20,400	143.8
Property and equipment	502,586	370,920	35.5
Total Assets	36,143,490	31,688,626	14.1

The Group's total assets increased by 14.1 per cent. from AED 31,688.6 million as at 31 December 2019 to AED 36,143.5 million as at 31 December 2020. This increase was principally the result of a 837.8 per cent. increase in investments measured at amortised cost from AED 452.2 million as at 31 December 2019 to AED 4,240.8 million as at 31 December 2020 and a 9.7 per cent. increase in net loans and advances from AED 17,735.8 million as at 31 December 2019 to AED 19,455.6 million as at 31 December 2020.

The Group's investment portfolio amounted to AED 4,662 million as at 31 December 2020 and was denominated in U.S. dollars or AED.

Cash and cash balances with central banks

The Group is required to maintain statutory deposits with the UAE Central Bank and the Central Bank of Lebanon. The statutory deposits with central banks are not available to finance the day to day operations of the Group. As at 31 December 2020, the statutory deposits with the UAE Central Bank amounted to AED 434 million (compared to AED 421 million as at 31 December 2019).

The following table sets out the Group's cash and cash balances with central banks as at 31 December 2020 and 31 December 2019.

	As at 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Cash on hand	163,768	72,105	127.1
Statutory deposits	1,128,266	1,084,851	4.0
Current accounts	3,720,562	2,464,646	51.0
Certificates of deposits	1,231,611	2,528,123	(51.3)
	6,244,207	6,149,725	1.5
Expected credit loss	(710,108)	(297,731)	138.5
	5,534,099	5,851,994	(5.4)

The Group's cash and balances with central banks decreased by 5.4 per cent. from AED 5,852.0 million as at 31 December 2019 to AED 5,534.1 million as at 31 December 2020. This decrease was principally the result of a 51.3 per cent. decrease in certificates of deposits from AED 2,528.1 million as at 31 December 2019 to AED 1,231.6 million as at 31 December 2020 partially offset by a 51.0 per cent. increase in current accounts from AED 2,464.6 million as at 31 December 2019 to AED 3,720.6 million as at 31 December 2020.

Deposits and balances due from banks

The following table sets out the Group's deposits and balances due from banks as at 31 December 2020 and 31 December 2019.

	As at 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Demand	123,631	206,065	(40.0)
Time.....	7,032	154,892	(95.5)
	130,663	360,957	(63.8)
Expected credit loss	(1,617)	(10,670)	(84.8)
	129,046	350,287	(63.2)

The Group's deposits and balances due from banks decreased by 63.2 per cent. from AED 350.3 million as at 31 December 2019 to AED 129.0 million as at 31 December 2020. This decrease was principally the result of a 95.5 per cent. decrease in time deposits and balances due from banks from AED 154.9 million as at 31 December 2019 to AED 7.0 million as at 31 December 2020 and a 40.0 per cent. decrease in demand deposits and balances due from banks from AED 206.1 million as at 31 December 2019 to AED 123.6 million as at 31 December 2020.

Net loans and advances

The following table sets out the Group's net loans and advances as at 31 December 2020 and 31 December 2019.

	As at 31 December		Percentage
	2020	2019	change
	<i>(AED'000)</i>		<i>(%)</i>
Overdrafts	5,797,403	7,301,407	(20.6)
Commercial loans	11,487,866	8,731,786	31.6
Bills discounted	2,399,631	1,977,841	21.3
Other advances	1,714,660	1,569,344	9.3
Gross amount of loans and advances	21,399,560	19,580,378	9.3
Less: Allowance for impairment.....	(1,943,953)	(1,844,622)	5.4
Net loans and advances	19,455,607	17,735,756	9.7

The Group's net loans and advances increased by 9.7 per cent. from AED 17,735.8 million as at 31 December 2019 to AED 19,455.6 million as at 31 December 2020. This increase was principally the result of a 31.6 per cent. increase in commercial loans from AED 8,731.8 million as at 31 December 2019 to AED 11,487.9 million as at 31 December 2020, partially offset by a 20.6 per cent. decrease in overdrafts from AED 7,301.4 million as at 31 December 2019 to AED 5,797.4 million as at 31 December 2020.

Other financial assets

The following table sets out the Group's other financial assets as at 31 December 2020 and 31 December 2019.

	As at 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Other financial assets measured at fair value			
Investments measured at FVTPL⁽¹⁾			
Quoted equity	121,760	159,284	(23.6)
	121,760	159,284	(23.6)
Investments measured at FVTOCI⁽²⁾			
Quoted equity	94,818	127,183	(25.4)
Unquoted equity	175,042	209,252	(16.3)
Debt Securities.....	99,680	123,759	(19.5)
Expected credit losses.....	(70,322)	-	-
	299,218	460,194	(35.0)
Total other financial assets measured at fair value.....	420,978	619,478	(35.0)
Other financial assets measured at amortised cost			
Debt securities	4,354,187	486,484	795.0
Expected credit losses.....	(113,354)	(34,265)	230.8
	4,240,833	452,219	837.8
Total other financial assets.....	4,661,811	1,071,697	335.0

Notes:

(1) Fair Value Through Profit and Loss.

(2) Fair Value Through Other Comprehensive Income

The Group's other financial assets increased by 335.0 per cent. from AED 1,071.7 million as at 31 December 2019 to AED 4,661.8 million as at 31 December 2020. For more detail on the Group's investment portfolio, see "*Description of the Group—Investment Banking*".

Investment properties

The Group's investment properties increased by 1.5 per cent. from AED 756.0 million as at 31 December 2019 to AED 767.6 million as at 31 December 2020.

Goodwill and other intangibles

The Group's goodwill and other intangibles increased by 56.1 per cent. from AED 25.9 million as at 31 December 2019 to AED 40.4 million as at 31 December 2020.

Other assets

The Group's other assets comprise the following assets: (i) acceptances – contra; (ii) assets acquired in settlement of debt; (iii) cheques in the course of collection; (iv) clearing receivables and accrued income; (v) interest receivable; (vi) prepayments; (vii) positive fair value of derivatives; and (viii) other.

The Group's other assets decreased by 13.5 per cent. from AED 1,003.8 million as at 31 December 2019 to AED 868.2 million as at 31 December 2020.

Property and equipment

The Group's property and equipment increased by 35.5 per cent. from AED 370.9 million as at 31 December 2019 to AED 502.6 million as at 31 December 2020.

Liabilities and equity

The table below sets out the Group's total liabilities and equity as at 31 December 2020 and 31 December 2019.

	As at 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Customers' deposits	23,672,584	21,326,234	11.0
Deposits and balances due to banks.....	240,915	42,989	460.4
Repo borrowings.....	2,438,842	130,230	1,772.7
Other liabilities.....	1,655,840	1,565,300	5.8
Derivative liabilities held for risk management	15,941	7,577	110.4
Issued bonds	4,953,951	5,597,926	(11.5)
Total liabilities.....	32,978,073	28,670,256	15.0
Total equity	3,165,417	3,018,370	4.9

Customers' deposits

The following table sets out the Group's customer deposits as at 31 December 2020 and 31 December 2019.

	As at 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Current and other accounts	4,619,779	3,878,614	19.1
Saving accounts	897,183	1,424,628	(37.0)
Time deposits.....	18,155,622	16,022,992	13.3
	23,672,584	21,326,234	11.0

The Group's customers' deposits increased by 11.0 per cent. from AED 21,326.2 million as at 31 December 2019 to AED 23,672.6 million as at 31 December 2020. This increase was principally the result of a 13.3 per cent. increase in time deposits from AED 16,023.0 million as at 31 December 2019 to AED 18,155.6 million as at 31 December 2020 and a 19.1 per cent. increase in current and other accounts from AED 3,878.6 million as at 31 December 2019 to AED 4,619.8 million as at 31 December 2020, partially offset by a 37.0 per cent. decrease in savings accounts from AED 1,424.6 million as at 31 December 2019 to AED 897.2 million as at 31 December 2020.

Deposits and balances due to banks

The following table sets out the Group's deposits and balances due to banks as at 31 December 2020 and 31 December 2019.

	As at 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Demand	65,915	32,307	104.0
Time.....	175,000	10,682	1,538.3
	240,915	42,989	460.4

The Group's deposits and balances due to banks increased by 460.4 per cent. from AED 43.0 million as at 31 December 2019 to AED 240.9 million as at 31 December 2020. This increase was principally the result of a 1,538.3 per cent. increase in time deposits and balances due to banks from AED 10.7 million as at 31 December 2019 to AED 175.0 million as at 31 December 2020 and a 104.0 per cent. increase in demand deposits and balances due to banks from AED 32.3 million as at 31 December 2019 to AED 65.9 million as at 31 December 2020.

Repo borrowings

The Group's repo borrowings increased from AED 130.2 million as at 31 December 2019 to AED 2,438.8 million as at 31 December 2020. In 2020, the Group entered into repo agreements under which bonds with fair value of AED 2,997 million (AED 130 million as at 31 December 2019) were given as collateral against borrowings.

Other liabilities

The following table sets out the Group's other liabilities as at 31 December 2020 and 31 December 2019.

	As at 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Acceptances – contra	674,155	765,271	(11.9)
Interest payable	233,450	251,915	(7.3)
ECL on unfunded exposure	131,529	121,820	8.0
Lease liabilities	86,700	98,470	(12.0)
Clearing balances	72,623	52,048	39.5
Unearned income	54,505	68,587	(20.5)
Provision for employees' end of service benefits	48,056	45,577	5.4
Deferred tax liability	41,697	-	-
Managers' cheques	19,231	51,261	(62.5)
Accrued expenses	7,522	14,738	(49.0)
Others	286,372	95,613	199.5
	1,655,840	1,565,300	5.8

The Group's other liabilities increased by 5.8 per cent. from AED 1,565.3 million as at 31 December 2019 to AED 1,655.8 million as at 31 December 2020. This increase was principally the result of an increase in income tax payables, contingent liability and clearing balances.

Issued bonds

The following tables sets out the bonds issued by the Bank and the carrying value of issued bonds as at 31 December 2020 and 31 December 2019.

Issue date	Maturity	Currency	Face value	2020	2019
				Carrying value	Carrying value
			(million)	(AED'000)	(AED'000)
8 June 2015	June 2020	U.S.\$	500	-	712,988
28 February 2017	February 2022	U.S.\$	500	1,896,682	1,865,077
8 August 2019	August 2022	U.S.\$	120	437,986	437,488
8 September 2019	September 2024	U.S.\$	600	2,202,399	2,202,324
29 November 2019	November 2023	CHF	100	416,884	380,049
				4,953,951	5,597,926

Total equity

The following table sets out the Group's total equity as at 31 December 2020 and 31 December 2019.

	As at 31 December		Percentage change
	2020	2019	2020/2019
	(AED'000)		(%)
Capital and reserves			
Share capital	2,100,000	2,100,000	0.0
Statutory reserve	1,050,000	1,050,000	0.0
Contingency reserve	640,000	640,000	0.0
General and other reserves	288,962	293,109	(1.4)
Investments fair value reserve	(740,095)	(682,249)	8.5
(Accumulated losses)/retained earnings	(182,157)	(402,710)	(54.8)
Equity attributable to owners of the Bank	3,156,710	2,998,150	5.3
Non-controlling interests	8,707	20,220	(56.9)
Total equity	3,165,417	3,018,370	4.9

RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

Net interest income

The following table sets out the Group's net interest income in 2019 and 2018.

	For the year ended 31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Interest income	1,388,048	1,268,889	9.4
Interest expense	(972,393)	(756,166)	28.6
Net interest income	415,655	512,723	(18.9)

The Group's net interest income decreased by 18.9 per cent. from AED 512.7 million in 2018 to AED 415.7 million in 2019. This decrease was principally the result of a 28.8 per cent. increase in interest expense from customers' deposits from AED 608.6 million in 2018 to AED 784.0 million in 2019 and a 15.1 per cent. increase in interest expense from issued bonds from AED 139.6 million in 2018 to AED 160.8 million in 2019, partially offset by a 12.3 per cent. increase in interest income from loans and advances from AED 1,055.6 million in 2018 to AED 1,185.6 million in 2019.

Net operating income

Non-interest income

The following table sets out the Group's non-interest income in 2019 and 2018.

	For the year ended 31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Net fee and commission income	159,823	172,866	(7.5)
Exchange profit	11,532	14,928	(22.7)
Income on investments	21,740	31,303	(30.5)
Revaluation loss on investment properties	(84,677)	(25,635)	230.3
Other income	40,034	15,292	161.8
Operating income	564,107	721,477	(21.8)

Non-interest income constituted 26.3 per cent. of the Group's total operating income in 2019 and 28.9 per cent. of the Group's total operating income in 2018. Non-interest income was principally generated through fees and commissions. Total non-interest income in 2019 decreased by 28.9 per cent. from AED 208.8 million in 2018 to AED 148.5 million in 2019. This decrease was principally the result of a 7.5 per cent. decrease in net fee and commission income from AED 172.9 million in 2018 to AED 159.8 million in 2019 and an increase in revaluation loss on investment properties from AED 25.6 million in 2018 to AED 84.7 million in 2019 (such increase being a result of general market conditions).

Operating income

As a result of the foregoing, the Group's operating income decreased by 21.8 per cent. from AED 721.5 million in 2018 to AED 564.1 million in 2019.

Net impairment loss on financial assets

The following table sets out the Group's net impairment loss on financial assets in 2019 and 2018.

	For the year ended 31 December		Percentage
	2019	2018	change
	(AED'000)		2019/2018
			(%)
Impairment charge on financial assets	313,529	139,910	124.1
Impairment charge on credit impaired assets	372,044	237,308	56.8
Total charge for the year	685,573	377,218	81.7
Write backs on loans.....	(191,818)	(125,433)	52.9
Write backs on other financial assets	(55,101)	-	-
	438,654	251,785	74.2

The Group's total charge in respect of impairment loss on financial assets increased by 74.2 per cent. from AED 251.8 million in 2018 to AED 438.7 million in 2019.

The Group's non-performing financings provisions ratio in 2019 was 69.16 per cent. compared to 94.1 per cent. in 2018. This ratio does not take into consideration mortgaged properties and other realisable collateral available against impaired loans.

Goodwill impairment

The Group recorded a goodwill impairment of AED 273.6 million in 2019 as a result of political uncertainty in Lebanon. No goodwill impairment was recorded in 2018.

Net operating income/(loss)

As a result of the foregoing, the Group's recorded a net operating loss of AED 148.1 million in 2019 compared to net operating income of AED 469.7 million in 2018.

Profit for the year

General and administrative expenses

The following table sets out the components of the Group's general and administrative expenses in 2019 and 2018.

	For the year ended 31 December		Percentage
	2019	2018	change
	(AED'000)		2019/2018
			(%)
Personnel expenses	183,721	197,723	(7.1)
Depreciation	34,862	27,915	24.9
Other expenses.....	99,283	91,762	8.2
General and administrative expenses.....	317,866	317,400	0.1

The Group's general and administrative expenses remained stable increasing by 0.1 per cent. from AED 317.4 million in 2018 to AED 317.9 million in 2019. Personnel expenses constituted 57.8 per cent. of the Group's total general and administrative expenses in 2019.

Net profit/(loss) for the year

As a result of the foregoing, the Group's recorded a net loss for the year of AED 487.7 million in 2019 compared to a net profit for the year of AED 129.7 in 2018.

FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

Total assets

The following table sets out the components of the Group's total assets as at 31 December 2019 and 31 December 2018.

	31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Cash and balances with central banks.....	5,851,994	4,636,343	25.3
Deposits and balances due from banks	350,287	507,785	(31.0)
Reverse-repo placements	457,291	849,188	(46.1)
Loans and advances, net	17,735,756	17,301,105	2.5
Other financial assets measured at fair value	619,478	817,319	(24.2)
Other financial assets measured at amortised cost	452,219	671,554	(32.7)
Investment properties.....	756,037	608,473	24.3
Goodwill and other intangibles	25,861	416,056	(67.2)
Assets acquired in settlement of debt.....	4,044,572	2,113,117	91.4
Other assets	1,003,811	894,390	11.2
Derivative assets held for risk management.....	20,400	3,590	468.2
Property and equipment.....	370,920	304,577	21.8
Total Assets	31,688,626	29,123,497	9.0

The Group's total assets increased by 9.0 per cent. from AED 29,123.5 million as at 31 December 2018 to AED 31,688.6 million as at 31 December 2019. This increase was primarily due to a 25.3 per cent. increase in cash and cash balances with central banks and a 91.4 per cent. increase in assets acquired in settlement of debt. The Group's investment portfolio amounted to AED 1,071.7 million as at 31 December 2019 and was entirely denominated in U.S. dollars or AED.

Cash and cash balances with central banks

The following table sets out the Group's cash and cash balances with central banks as at 31 December 2019 and 31 December 2018.

	31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Cash on hand	72,105	57,144	26.2
Statutory deposits	1,084,851	1,069,087	1.5
Current accounts	2,464,646	858,287	187.2
Certificates of deposits	2,528,123	2,660,207	(5.0)
	6,149,725	4,644,725	32.4
Expected credit loss	(297,731)	(8,382)	3,452.0
	5,851,994	4,636,343	26.2

The Group's cash and balances with central banks increased by 26.2 per cent. from AED 4,636.3 million as at 31 December 2018 to AED 5,852.0 million as at 31 December 2019. This increase was principally the result of an increase in current accounts from AED 858.3 million as at 31 December 2018 to AED 2,464.6 million as at 31 December 2019.

Deposits and balances due from banks

The following table sets out the Group's deposits and balances due from banks as at 31 December 2019 and 31 December 2018.

	31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Demand	206,065	276,592	(25.5)
Time.....	154,892	232,074	(33.3)
	360,957	508,666	(29.0)
Expected credit loss	(10,670)	(881)	1,111.1
	350,287	507,785	(31.0)

The Group's deposits and balances due from banks decreased by 31.0 per cent. from AED 507.8 million as at 31 December 2018 to AED 350.3 million as at 31 December 2019.

Net loans and advances

The following table sets out the Group's net loans and advances as at 31 December 2019 and 31 December 2018.

	31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Overdrafts	7,301,407	7,192,041	1.5
Commercial loans	8,731,786	9,355,962	(6.7)
Bills discounted	1,977,841	2,046,182	(3.3)
Other advances	1,569,344	707,229	121.9
Gross amount of loans and advances	19,580,378	19,301,414	1.4
Less: Allowance for impairment.....	(1,844,622)	(2,000,309)	(7.8)
Net loans and advances	17,735,756	17,301,105	2.5

The Group's net loans and advances increased by 2.5 per cent. from AED 17,301.1 million as at 31 December 2018 to AED 17,735.8 million as at 31 December 2019. This increase was principally the result of a 121.9 per cent. increase in other advances from AED 707.2 million as at 31 December 2018 to AED 1,569.3 million as at 31 December 2019.

Other financial assets

The following table sets out the Group's other financial assets as at 31 December 2019 and 31 December 2018.

	31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Other financial assets measured at fair value			
Investments measured at FVTPL⁽¹⁾			
Quoted equity	159,284	143,446	11.0
	159,284	143,446	11.0
Investments measured at FVTOCI⁽²⁾			
Quoted equity	127,183	160,069	(20.5)
Unquoted equity	209,252	323,239	(35.3)
Debt Securities.....	123,759	190,565	(35.1)
	460,194	673,873	(31.7)
Total other financial assets measured at fair value	619,478	817,319	(24.2)
Other financial assets measured at amortised cost			
Debt securities	486,484	675,585	(28.0)
Expected credit losses.....	(34,265)	(4,031)	750.0
	452,219	671,554	32.7
Total other financial assets.....	1,071,697	1,488,873	28.0

Notes:

- (1) Fair Value Through Profit and Loss.
 (2) Fair Value Through Other Comprehensive Income

The Group's other financial assets increased by 28.0 per cent. from AED 1,488.9 million as at 31 December 2018 to AED 1,071.7 million as at 31 December 2019. For more detail on the Group's investment portfolio, see "*Description of the Group—Investment Banking*".

Investment properties

The Group's investment properties increased by 24.3 per cent. from AED 608.5 million as at 31 December 2018 to AED 756.0 million as at 31 December 2019.

Goodwill and other intangibles

The Group's goodwill and other intangibles decreased by 67.2 per cent. from AED 416.1 million as at 31 December 2018 to AED 136.6 million as at 31 December 2019 principally as a result of an impairment of AED 274 million to goodwill as a result of political uncertainty in Lebanon. The Group's goodwill impairment presented in the 2019 Financial Statements was retrospectively reclassified as set out in the 2020 Financial Statements. For further detail and a summary of the effect of such reclassification, see "*Presentation of Financial and Other Information—Presentation of Financial Information—Reclassifications*".

Other assets

The Group's other assets comprise the following assets: (i) acceptances – contra; (ii) receivable from sale of property; (iii) clearing receivables and accrued income; (iv) interest receivable; (v) prepayments; and (vi) other.

The Group's other assets increased by 11.2 per cent. from AED 894.4 million as at 31 December 2018 to AED 994.8 million as at 31 December 2019.

Property and equipment

The Group's property and equipment increased by 21.8 per cent. from AED 304.6 million as at 31 December 2018 to AED 370.9 million as at 31 December 2019.

Liabilities and equity

The table below sets out the Group's total liabilities and equity as at 31 December 2019 and 31 December 2018.

	31 December		Percentage
	2019	2018	change
	<i>(AED'000)</i>		<i>(%)</i>
Customers' deposits	21,326,234	20,119,169	6.0
Deposits and balances due to banks.....	42,989	304,931	(85.9)
Repo borrowings.....	130,230	-	-
Other liabilities	1,565,300	1,267,702	23.5
Derivative liabilities held for risk management	7,577	62,808	(87.9)
Issued bonds	5,597,926	3,589,972	55.9
Total liabilities.....	28,670,256	25,344,582	13.1
Total equity	3,018,370	3,778,915	(20.1)

Customers' deposits

The following table sets out the Group's customer deposits as at 31 December 2019 and 31 December 2018.

	31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Current and other accounts	3,878,614	2,952,570	31.4
Saving accounts	1,424,628	1,595,786	(10.7)
Time deposits.....	16,022,992	15,570,813	2.9
	21,326,234	20,119,169	6.0

The Group's customer deposits increased by 6.0 per cent. from AED 20,119.2 million as at 31 December 2018 to AED 21,326.2 million as at 31 December 2019. This increase was principally the result of a 31.4 per cent. increase in current and other accounts from AED 2,952.6 million as at 31 December 2018 to AED 3,878.6 million as at 31 December 2019.

Deposits and balances due to banks

The following table sets out the Group's deposits and balances due to banks as at 31 December 2019 and 31 December 2018.

	31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Demand	32,307	46,853	(31.0)
Time.....	10,682	258,078	(95.9)
	42,989	304,931	(85.9)

The Group's deposits and balances due to banks decreased by 85.9 per cent. from AED 304.9 million as at 31 December 2018 to AED 43.0 million as at 31 December 2019. This decrease was principally the result of a decrease in time deposits from AED 258.1 million as at 31 December 2018 to AED 10.7 million as at 31 December 2019.

Other liabilities

The following table sets out the Group's other liabilities as at 31 December 2019 and 31 December 2018.

	31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Acceptances – contra	765,271	732,922	4.4
Interest payable.....	251,915	172,668	45.9
ECL on unfunded exposure	121,820	116,729	4.4
Accrued expenses and others.....	110,352	88,304	25.0
Lease liabilities.....	98,470	-	-
Unearned income	68,587	97,080	(29.4)
Managers' cheques.....	51,261	15,191	237.4
Provision for employees' end of service benefits	45,577	44,808	1.7
	1,565,300	1,267,702	23.5

The Group's other liabilities increased by 23.5 per cent. from AED 1,267.7 million as at 31 December 2018 to AED 1,565.3 million as at 31 December 2019. This increase was principally the result of a 4.4 per cent. increase in acceptances – contra from AED 732.9 million as at 31 December 2018 to AED 765.3 million as at 31 December 2019, a 45.9 per cent. increase in interest payable from AED 172.7 million as at 31 December 2018 to AED 251.9 million as at 31 December 2019 and the recording of AED 98.5 million of lease liabilities as at 31 December 2019.

Total equity

The following table sets out the Group's total equity as at 31 December 2019 and 31 December 2018.

	31 December		Percentage change
	2019	2018	2019/2018
	(AED'000)		(%)
Capital and reserves			
Share capital	2,100,000	2,100,000	0.0
Statutory reserve	1,050,000	1,050,000	0.0
Contingency reserve	640,000	600,000	6.7
General and other reserves.....	293,109	250,257	17.1
Investments fair value reserve	(682,249)	(535,375)	27.4
(Accumulated losses)/retained earnings.....	(402,710)	300,324	(234.1)
Equity attributable to owners of the Bank	2,998,150	3,765,206	(20.4)
Non-controlling interests	20,220	13,709	47.5
Total equity	3,018,370	3,778,915	(20.1)

DESCRIPTION OF THE GROUP

OVERVIEW

The Bank of Sharjah P.J.S.C. is a public shareholding company with limited liability, incorporated by an Emiri Decree issued on 22 December 1973 by His Highness Sheikh Dr. Sultan Bin Mohammed Al Qasimi, the ruler of Sharjah, and had initial paid up capital of AED 15 million. It commenced operations in May 1974 as the first consortium bank to be established in the GCC in association with Banque Paribas. The Bank's commercial registration number is 44505. The registered office of the Bank is at Bank of Sharjah, Al Khan Street, P.O. Box 1394, Sharjah, United Arab Emirates. The Bank's telephone number is +971 6 569 4411.

The founding members of the Bank were the Government of Sharjah, the Hassawi Group and Banque Paribas who each held 20 per cent. of the Bank's shares. In the wake of the merger between BNP and Paribas, the newly formed BNP Paribas sold its stake in the Bank in 2002. The Bank is primarily a corporate bank, catering to UAE-based businesses. It offers general banking services, project finance, trade facilities, syndicate loans, and short-to-medium term loans. In addition, the Bank engages in private banking, wealth management, and investment banking. The Bank strategically invests in regional public entities and targets large and medium-sized corporates as well as performing SMEs that demonstrate a high propensity of upward trends when viewed with a medium or long-term perspective. This has allowed the Bank to expand the depth of its customer base in the GCC and the Levant regions.

The Bank has increased its capital since inception from AED 15 million to AED 2.1 billion. As at 31 December 2020, the Sharjah Government, through Sharjah Asset Management, owned 17.16 per cent. of the Bank. The United Al Saqr Group and the estate of Ahmed Abdalla Al Noman owned 12.65 per cent. and 6.23 per cent. respectively. As at 31 December 2020, 17 shareholders owned 78.72 per cent. of the Bank of which 62.98 per cent. was controlled by the Board. The balance of the capital, 21.58 per cent., is held publicly. The Bank's shares have been listed and traded on the Abu Dhabi Securities Exchange (ADX) since April 2004.

As at 31 December 2020, the Group's total assets were AED 36.1 billion, a 14.1 per cent. increase from AED 31.7 billion as at 31 December 2019, which was an 8.8 per cent. increase from AED 29.0 billion as at 31 December 2018. The Group's recorded a net loss for the year in 2020 of AED 666.4 million compared to a net loss for the year in 2019 of AED 487.7 million and a net profit for the year of AED 129.7 million in 2018. The Group's total equity was AED 3.2 billion as at 31 December 2020. As at 31 December 2020, the Group's total capital adequacy ratio was 10.71 per cent. and its return on equity was minus 21.55 per cent.

The Bank has a long term issuer rating of BBB+ (stable outlook) from Fitch and BBB+ (stable outlook) from Capital Intelligence. Both Fitch and Capital Intelligence are established in the European Union and registered under the CRA Regulation.

History and Development

The Bank was originally founded in Sharjah in 1973 and opened its first branch in Abu Dhabi in 1988, followed by Dubai in 1996, Al Ain in 2007, Dubai Media City in 2011, Dubai Motor City in 2012, and Mussafah, Abu Dhabi, in 2018. In 2004, the Bank was listed on the ADX.

In July 2007, the Bank completed the acquisition of Banque de la Bekaa SAL in Lebanon, after obtaining approval from the UAE Central Bank and the Central Bank of Lebanon. This marked the Bank's first step outside of the UAE. By the end of September 2008, the Bank had finalised the acquisition of the assets and liabilities of Banque Nationale de Paris Intercontinental, Beirut, a member of the BNP Paribas Group. The Bank combined both purchases to form Emirates Lebanon Bank, which represented the first full banking venture by a UAE bank in Lebanon.

In 2012, in order to enhance the Bank's Private Banking Wealth Management office (**PBWM**), a collaboration agreement was signed between PBWM and Commerzbank International S.A., Luxembourg (**Commerzbank Luxembourg**). In January 2017, PBWM signed a new collaboration agreement in respect of its private banking and wealth management business with Bank Julius Baer & Co. Ltd (**Bank Julius Baer**). PBWM's operations are based in Dubai Motor City. See "*Description of the Group—Private Banking Wealth Management*" for further details on the Bank's collaboration agreement with Commerzbank Luxembourg and with Bank Julius Baer.

STRATEGY

The Group has a list of core values on which strong emphasis is placed, namely: Performance, Ethics, Transparency, Initiative, Commitment and Quality.

The Group's strategy focuses on the following:

Focus on commercial banking with large to mid-sized corporate customers

The Group intends to maintain its focus on commercial banking. Commercial banking is core to the Group's business and the Bank considers it as an important sector of the UAE economy which will continue to grow in the near to medium future. In 2020, the Commercial Banking business line reported total operating income of AED 839.1 million. As a result of the Group's historical focus on large to mid-sized corporate customers and the emphasis it has traditionally placed on developing strong relationships with key corporate customers, the Bank believes that it is well placed to continue to grow its commercial banking business in the future and consequently to continue to enhance its ability to generate significant revenues from this segment of banking services in the UAE. Conversely, the Bank does not plan to substantially increase its retail banking offering in the near future.

Focus on providing quality service and bespoke solutions to customers

The Group will continue to focus on achieving a very high quality of customer service. The Group emphasises the importance of its customer relationships and will continue to focus on developing its in-depth knowledge of its customers' businesses to enable it to provide bespoke, tailor-made solutions to its customers' financing needs.

Organically grow Private Banking Wealth Management services

The Group intends to cautiously grow its PBWM services and increase its capacity to generate and operate its private banking and wealth management business from within the UAE to supplement its partnership with, originally, Commerzbank Luxembourg, and more recently, Bank Julius Baer. See "*Commercial Banking—Private Banking Wealth Management*" below.

Selective focus on SMEs

The Group strategically invests in performing SMEs that demonstrate a high propensity of upward trends when viewed with a medium or long-term perspective. The Bank intends to continue to develop relationships with such SMEs with a view of assisting their growth to become larger corporates in line with the Group's traditional customer base.

Maintain a conservative attitude to risk by maintaining its capital adequacy ratio and low level of non-performing facilities

The Group maintains strict controls over its business and processes resulting from the Group's conservative attitude towards risk, emphasising the need to maintain high levels of liquidity and capital adequacy. The Group has maintained a capital adequacy ratio of 10.71 per cent. as at 31 December 2020 and 10.81 per cent. as at 30 September 2021, calculated in accordance with Basel III and has experienced low levels of non-performing loan facilities, with approximately AED 2,713.2 million (or 12.68 per cent. of all loan facilities) classified as non-performing as at 31 December 2020.

COMPETITIVE ADVANTAGES

The Group believes that it has a strong market position, which is based on a number of key competitive advantages:

Focused strategy

The Group's long term strategy has been, and will continue to be, focused on commercial banking with large to mid-sized corporates. Over time, the Group has developed strong, loyal relationships with its corporate customers and is differentiated from its competitors by its focus on this profitable core business. This has enabled the Group to develop critical expertise in commercial banking and has given it stability of income over long periods of time.

In 2020, the Group's operating income from Commercial Banking was AED 839.1 million compared to AED 586.4 million in 2019 and AED 664.4 million in 2018 and its total assets amounted to AED 25.4 billion as at 31 December 2020 compared to AED 24.0 billion as at 31 December 2019 and AED 22.3 billion as at 31 December 2018 (being 70.3 per cent., 75.7 per cent. and 76.9 per cent. of the Group's total assets, respectively).

See "*Commercial Banking*" below for further details on the Group's commercial banking business activities.

Quality of service to customers

The Group prides itself on providing a very high quality of customer service and believes that developing and maintaining long-term business relationships has been instrumental to its success. The Group believes in proactively

assisting customers and clients with measures that focus on their individual needs and provide a speedy and effective service.

The comparatively small size of the Group as well as its internal structure and processes allows the Group to provide bespoke, tailor-made solutions to cater for its customers' financing needs. The Group's customer orientated culture is a central component of the Group's business model and the development of relationships with its customers is paramount. This emphasis on customer relationships and in depth knowledge of the customer's business allows the Group to tailor its services specifically to each customer and respond to customer financing needs quickly, as required. This creates loyalty amongst the Group's key customer base, leading to continuous business opportunities and reducing the likelihood that customers will engage with the Group's competitors.

Committed and experienced workforce

The Board and Senior Management have extensive experience in the banking industry. The Bank's Chairman has been with the Bank since 1973 and the majority of Senior Management have been with the Bank for many years. The Group has what it regards as a high employee retention rate (99.0 per cent. in 2020 and 97.5 per cent. in 2019). See further "*Management and Employees*".

Well defined and developed credit policies and procedures

The Group believes it has well-defined and conservative lending policies and procedures. See "*Credit Approval Procedures*".

Stable funding base

Approximately 65.5 per cent. of the Group's assets at 31 December 2020 were funded by customer deposits, 13.7 per cent. by debt capital markets instruments (bonds), 4.6 per cent. by other liabilities, 0.7 per cent. by inter-bank funding and the balance by its capital and reserves. The Group has a loyal deposit base of corporate customers, which are regarded by the Group as relatively stable and a low cost source of funding. As at 31 December 2020, the 10 largest depositors with the Group accounted for approximately 43.11 per cent. of customers' deposits.

Strong brand and strong links with the community

The Bank has a strong brand in the UAE, and in particular in Sharjah, with a loyal customer base with whom the Bank has long standing relationships. The Bank is committed to national and regional development by funding various educational, cultural and sports institutions and through its direct contributions and donations to various charitable organisations. The "Quintetta" initiative, an employment opportunity program for the local population, shows the Bank's commitment to UAE society, including that of Sharjah. The program bolsters the capabilities of national employees with career opportunities that allow them to be professionally engaged in the banking sector and supported by various educational offerings.

COMPETITION

The Bank's principal competitors include both banks which are locally incorporated in the UAE, as well as certain foreign banks operating in the UAE. As at 31 December 2020, there were 48 banks holding full commercial banking licences in the UAE, of which 21 were banks that were locally incorporated in the UAE (source: UAE Central Bank). The main competitors of the Bank are UAE banks with significant commercial banking operations in the UAE itself.

Despite the relatively high level of competition in the banking sector, the recent and continuing growth of the UAE economy is expected to lead to an overall growth in demand for banking services. The Bank's objective is to participate in this growth and to increase its market share within its strategic framework and traditional values.

SHARE CAPITAL AND SHAREHOLDERS

As at 30 September 2021, the authorised, issued and fully paid-up ordinary share capital of the Bank comprised 2,200,000,000 ordinary shares of AED 1 each.

As at 30 September 2021, the Sharjah Government, through Sharjah Asset Management, owned 17.16 per cent. of the Bank. The United Al Saqr Group and the estate of Ahmed Abdalla Al Noman owned 12.65 per cent. and 6.23 per cent. respectively. As at 30 September 2021, 17 shareholders owned 78.72 per cent. of the Bank of which 62.98 per cent. was controlled by the Board. The balance of the capital, 21.58 per cent., is held publicly.

As at the date of this Base Prospectus, the Bank had the following subsidiaries:

Name of Subsidiary	Proportion of ownership interest	Country of incorporation	Principal activities
Emirates Lebanon Bank S.A.L.	100%	Lebanon	Financial institution
El Capital FZC	100%	UAE	Investment in a financial institution
BOS Real Estate FZC	100%	UAE	Real estate development activities
BOS Capital FZC	100%	UAE	Investment
Polyco General Trading L.L.C.	100%	UAE	General trading
Borealis Gulf FZC	100%	UAE	Investment and real estate development activities
BoS Funding Limited	100%	Cayman Islands	Financing activities
Muwaileh Capital FZC	90%	UAE	Developing of real estate & related activities
BOS Repos Limited	100%	Cayman Islands	Financing activities
BOS Derivatives Limited	100%	Cayman Islands	Financing activities

Emirates Lebanon Bank is the Bank's only material subsidiary, having contributed 15 per cent. of the Group's total assets as at 31 December 2020 and 146 per cent. of the Group's loss for the year in 2020. The remaining subsidiaries listed above together contributed 2 per cent. of the Group's total assets as at 31 December 2020 and minus 19 per cent. of the Group's operating income in 2020.

DESCRIPTION OF THE GROUP'S BUSINESS

The Group runs a predominantly commercial banking business. Its Commercial Banking business line, principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and, to a limited extent, individual customers.

The Group also runs an Investment Banking business line, which involves the management of the Group's investment portfolio.

The following table sets out the Group's operating income, profit for the year after taxes, assets and liabilities attributable to each of the Group's business lines as at and for the years ended 31 December 2020, 31 December 2019 and 31 December 2018.

As at / for the year ended 31 December 2020	Commercial Banking	Investment Banking	Unallocated	Total
	(AED '000)			
Total operating income	839,079	(176,109)	-	662,970
Net loss for the year	463,805	(431,799)	(698,402)	(666,396)
Segment assets	25,426,008	5,950,908	4,766,574	36,143,490
Segment liabilities	27,026,496	4,953,950	997,627	32,978,073

As at / for the year ended 31 December 2019	Commercial Banking	Investment Banking	Unallocated	Total
	(AED '000)			
Total operating income	586,420	(22,313)	-	564,107
Net loss for the year	(46,764)	(384,346)	(56,574)	(487,684)
Segment assets	24,025,995	3,127,077	4,594,233	31,747,305
Segment liabilities	22,264,725	5,597,926	755,558	28,618,209

As at / for the year ended 31 December 2018	Commercial Banking	Investment Banking	Unallocated	Total
	(AED '000)			
Total operating income	664,378	57,099	-	721,477
Net loss for the year	166,531	13,676	(50,505)	129,702
Segment assets	22,409,335	3,157,551	3,556,611	29,123,497
Segment liabilities	21,157,023	3,589,972	597,587	25,344,582

Unallocated line items comprise mainly head office expenses and tax assets and liabilities of Emirates Lebanon Bank.

Commercial Banking

Overview

The Group's principal activity is in domestic lending to large and mid-sized corporates. Commercial Banking is the largest business line in terms of revenue, assets and liabilities. In 2020, operating income from Commercial Banking was AED 839.1 million (compared to AED 586.4 million in 2019 and AED 664.4 million in 2018), its total assets amounted to AED 25.4 billion (compared to AED 24.0 billion as at 31 December 2019 and AED 22.3 billion as at 31 December 2018) and its total liabilities amounted to AED 27.0 billion (compared to AED 22.3 billion as at 31 December 2019 and AED 21.2 billion as at 31 December 2018).

Exposure to UAE corporates constituted 86.5 per cent. of total loans as at 31 December 2020 compared to 83.3 per cent. as at 31 December 2019 and 86.0 per cent. as at 31 December 2018.

The Group's Commercial Banking services include:

- current accounts;
- loans;
- overdrafts;
- charge cards;
- letters of credit (including sight letters of credit, deferred payment letters of credit, revolving letters of credit, standby letters of credit and transferable letters of credit);
- letters of guarantee (including car, telephone, shipping and tender contracts; bid bonds; performance bonds; advance payment bonds; retention money guarantees; maintenance guarantees; labour guarantees; and customs duty guarantees);
- project finance;
- wages protection; and
- escrow management.

The Group also provides retail banking services to the employees of some of its Commercial Banking customers including current accounts, savings accounts, fixed deposit accounts, debit cards, charge cards, personal loans, car loans and notice accounts. As at 31 December 2020, the revenue which the Group derived from such services and products was not material.

Loans and advances

The Group offers predominantly commercial loans and overdraft facilities to corporate customers operating in a wide range of industry sectors. The following table sets out the composition of the Group's loan portfolio by industry as at 31 December 2020 and 31 December 2019.

	As at 31 December			
	2020		2019	
	(AED'000)	(%)	(AED'000)	(%)
Trading	4,686,360	21.9	4,931,417	25.2
Services	4,494,419	21.0	3,565,954	18.2
Manufacturing	3,100,690	14.5	2,813,336	14.4
Government related entities	2,746,418	12.8	2,287,693	11.7
Personal loans	2,321,028	10.8	2,686,974	13.7
Construction	1,226,250	5.7	1,132,253	5.8
Mining and quarrying	905,043	4.2	698,298	3.6
Financial institutions	867,598	4.1	259,792	1.3
Transport and communication	347,693	1.6	330,665	1.7
Government	223,560	1.0	577,119	2.9
Agriculture	43,581	0.2	78,754	0.4
Other	436,920	2.0	218,123	1.1
	21,399,560	100.0	19,580,378	100.0

The following table sets out the composition of the Group's loan portfolio by type of advance as at 31 December 2020 and 31 December 2019.

	As at 31 December			
	2020		2019	
	(AED'000)	(%)	(AED'000)	(%)
Overdrafts	5,797,403	27.1	7,301,407	37.3
Commercial loans	11,487,866	53.7	8,731,786	44.6
Bills discounted	2,399,631	11.2	1,977,841	10.1
Other advances	1,714,600	8.0	1,569,344	8.0
	21,399,560	100.0	19,580,378	100.0

The Group holds collateral against loans and advances in the form of mortgage interests over properties, vehicles and machineries, cash margins, fixed deposits, guarantees and others. The Group does not lend against security but lends on the basis of the customer's overall risk profile. However, the Group usually seeks collateral in relation to new customers or for specific transactions. The Group accepts guarantees mainly from well-reputed local or international banks, well-established local or multinational corporate entities and high net worth private individuals. The Group's management has estimated the fair value collateral as at 31 December 2020 to be AED 13 billion (compared to AED 11.6 billion as at 31 December 2019 and AED 13.4 billion as at 31 December 2018). Valuations are carried out annually as required under the lending agreements. The fair value of the collateral includes cash deposits which are not under lien and the Group has the right to set-off against the outstanding facilities.

Deposits

The Group offers a range of customer deposit accounts. As at 31 December 2020, 76.7 per cent. of the Group's customers' deposits were time deposits, 19.5 per cent. were current and other accounts and 3.8 per cent. were savings accounts.

Trade finance

The Group provides a range of trade related services to manufacturing customers in Sharjah and traded goods and construction customers across the UAE. Products include letters of credit, letters of guarantee, collections as agent, bills financing and bills discounting. Credit is extended, predominantly, to UAE entities. As at 31 December 2020 and 31 December 2019, the Group had the following commitments and contingencies:

	As at 31 December	
	2020	2019
	(AED'000)	
Financial guarantees for loans	295,439	282,226
Other guarantees	2,277,640	2,581,167
Letters of credit	1,375,540	830,317
	3,948,619	3,693,710
Irrevocable commitments to extend credit	1,454,998	1,626,507
	5,403,617	5,320,217

Project finance

The Group has a strong track record of leading well structured transactions and generating stable income. The Group is well positioned with experienced and capable resources to assist in the development and delivery of complex financings. The Group offers commercial, financial and strategic advisory services to customers as well as structuring, arranging and syndicating finance for projects, and to a lesser extent, assets.

Distribution and delivery channels

The Group's corporate customers are served through teams of professional corporate bankers with in-depth industry knowledge. These corporate bankers are located in Sharjah, Dubai, Abu Dhabi, Al Ain and in five cities in Lebanon to ensure the efficient delivery of corporate banking solutions to customers. As at 31 December 2020, the Group had 13 branches in its network, of which 8 (including PBWM and the Bank's head office) were in the UAE and 5 were in Lebanon. The Group opened a new branch in the Mussafah area of Abu Dhabi in 2018. The Group also serves its customers through ATMs, telephone banking and internet banking. As at 31 December 2020, the Group had 18 ATMs in its network.

Emirates Lebanon Bank S.A.L.

With the launch of Emirates Lebanon Bank in 2008, the Bank became the first bank in the UAE to enact a cross-border transaction, acquiring another bank, as opposed to opening a branch.

The following table sets out summarised statements of financial position, comprehensive income and cash flows for Emirates Lebanon Bank as at and for the years ended 31 December 2020, 31 December 2019 and 31 December 2018.

	As at / for the years ended 31 December		
	2020	2019	2018
	(AED'000)		
Statement of financial position			
Total assets	5,732,546	5,313,495	5,331,495
Total liabilities	4,125,186	4,761,811	4,298,426
Equity	1,607,360	551,684	1,033,069
Dividends paid to non-controlling interests	0	0	0
Statement of comprehensive income			
Interest income	373,302	366,951	312,703
(Loss)/profit for the year	(775,393)	(561,258)	46,500
Total comprehensive income	(774,670)	(559,225)	44,160
Statement of cash flows			
Net cash flows generated (used in)/from operating activities	(405,308)	540,587	25,335
Net cash flows generated from investing activities	113,022	99,779	64,507
Net cash flows from/(used in) financing activities	952,417	69,048	(22,038)
Net increase in cash flows during the year	660,131	709,414	67,804

As at the date of this Base Prospectus, Emirates Lebanon Bank was 100 per cent. owned by the Group (80 per cent. by the Bank and 20 per cent. by El Capital FZC).

In 2020, Emirates Lebanon Bank's loss amounted to 116 per cent. of the Group's profit and loss compared to 115 per cent. in 2019 and 35.8 per cent. in 2018.

As at 31 December 2020, Emirates Lebanon Bank's total assets amounted to 16 per cent. of the Group's total assets compared to 17 per cent. as at 31 December 2019 and 18.4 per cent. as at 31 December 2018.

Emirates Lebanon Bank offers comparable products and services as the Bank, predominantly offered to corporate customers, and adopts similar strategic objectives. In 2020, Emirates Lebanon Bank derived 100 per cent. of its operating income from Lebanese corporates.

Emirates Lebanon Bank derives the majority of its revenue from its commercial banking business. In 2020, Emirates Lebanon Bank's net interest income from commercial banking amounted to AED 128.9 million compared to AED 226 million in 2019 and AED 172.2 million in 2018. In 2020, Emirates Lebanon Bank's net fee and commission income from commercial banking amounted to AED 11.3 million compared to AED 19.8 million in 2019 and AED 15.2 million in 2018.

The following table sets out the composition of Emirates Lebanon Bank's commercial loan portfolio by industry as at 31 December 2020 and 31 December 2019

	As at 31 December			
	2020		2019	
	(AED'000)	(%)	(AED'000)	(%)
Economic Sector				
Trading	732,758		1,124,437	
Manufacturing	430,472		445,200	
Construction and real estate	329,664		332,703	
Agriculture	43,581		67,695	
Transport and communication	18,771		23,300	
Services	30,640		75,203	
Financial institutions	39,916		70,187	
Personal loans	48,994		85,388	
Public utilities	-		4,229	
Others	2,734		-	
	1,677,530		2,228,342	

Emirates Lebanon Bank follows similar credit approval processes and adopts similar policies to the Bank.

The Lebanese banking industry

The Lebanese banking industry has been adversely impacted by political, economic and social instability in Lebanon since October 2019 (see "*Risk Factors—Factors that may affect the Bank's ability to fulfil its obligations under the Notes and/or the Deed of Guarantee—The Bank is subject to political and economic conditions in Sharjah, the UAE and the Middle East*").

Banks and other financial institutions in Lebanon fall under the jurisdiction of the Bank of Lebanon (**BDL**), the country's central bank. As the bank regulatory authority, BDL controls entry into the banking industry, defines the scope of banking activities and sets prudential regulations and codes of practice for banks.

The Banking Control Commission, established in 1967, is the bank supervisory authority. It is responsible for supervising banking activities and ensuring compliance with the various financial and banking rules and regulations. Overall banking activities are also subject to both the Code of Commerce (issued in 1942) and the Code of Money and Credit (issued in 1963).

The industry is characterised by a large number of banks of different sizes, nature and ownership structure, including small, medium and large-size private owned commercial banks, medium and long-term credit and investment banks, and Islamic Banks. These banks operate through a large network of correspondent banks.

The industry benefits from highly qualified human resources with a high and increasing share of university degree holders (70 per cent. of total employees are university graduates) and an important representation of Lebanese women in both regular and senior positions (45 per cent. of total employees are women).

The industry provides traditional and modern banking services and products including:

- ATM, card services, and electronic banking;
- retail, private, corporate and Islamic banking; and
- brokerage, consulting and insurance services.

Regulatory standards comply with world standards and guidelines set by the Bank for International Settlement, the International Monetary Fund (the **IMF**), the Financial Action Task Force, and other international bodies.

Private Banking Wealth Management

The Group has a PBWM office, which upgraded its operations in April 2012 through its collaboration with Commerzbank Luxembourg. The Group's PBWM office provides a wide range of tailor-made products, wealth management investment solutions, guidance and advice to its high net worth individual customers, particularly in relation to: (i) strategies in equities, fixed income, funds and in structured products; (ii) assets in management (discretionary portfolio management); (iii) assets in structures; and (iv) assets in precious metals. The Group's strategy in this area is to organically grow its customer base by enhancing its PBWM operations in the UAE.

The collaboration agreement with Commerzbank Luxembourg expired on 31 December 2016. The Group has since concluded on 16 January 2017 a new collaboration agreement with Bank Julius Baer

Investment Banking

The Investment Banking business line involves the management of the Group's investment portfolio. Most of the Group's investment assets are private equity investments. As at 31 December 2020, 3.8 per cent. of the Group's other financial assets are unquoted equities. All of the Group's quoted investments (which constituted 4.6 per cent. of its other financial assets as at 31 December 2020) are listed on the securities exchanges in the UAE (in particular, ADX and Dubai Financial Market).

As a merchant and corporate bank, the Group maintains a strategic equity investment portfolio spread across a range of industry sectors.

The following table sets out the composition of the portfolio by economic sector as at 31 December 2020 and 31 December 2019.

Economic Sector	31 December 2020		31 December 2019	
	<i>(AED'000)</i>	<i>(%)</i>	<i>(AED'000)</i>	<i>(%)</i>
Telecoms & IT.....				
Energy & Utilities.....	199,238	4	382,341	35
Sovereign.....	4,418,665	91	484,773	44
Private Equity.....	132,351	3	140,303	13
Real Estate.....	11,923	-	6,656	1
Financial Services.....	28,497	1	23,902	2
Leisure & Entertainment.....	-	-	890	-
Manufacturing.....	570	-	1,204	-
Business & Other Services.....	54,244	1	65,895	5
	4,845,488	100	1,105,964	100

See "Financial Review—Financial Position as at 31 December 2020 and 31 December 2019—Total assets—Other financial assets" for further details on the composition and analysis of the Group's other financial assets.

In 2020, Investment Banking reported an operating loss of AED 176.1 million (compared to an operating loss of AED 22.3 million in 2019 and operating income of AED 57.1 million in 2018), primarily due to changes in the valuation of the equity portfolio. As at 31 December 2020, Investment Banking's total assets amounted to AED 6.0 billion (compared to AED 3.1 billion as at 31 December 2019 and AED 3.2 billion as at 31 December 2018) and its total liabilities amounted to AED 5.0 billion (compared to AED 5.6 billion as at 31 December 2019 and AED 3.6 billion as at 31 December 2018).

RISK MANAGEMENT

The Group has established Board and Senior Management committees to oversee risk management.

Board Committees

The Board executive committee (the **Board Executive Committee**), the Board credit committee (the **Board Credit Committee**), and the Board risk committee (the **Board Risk Committee**), collectively, under delegation from the Board, define and monitor policies, processes and systems to execute the Board-approved strategy of the Bank, and to manage the various business, operational, market and credit risks of the Group.

The Board Corporate Governance, Compensation, Remuneration & Nomination Committee oversees all the elements of Group remuneration, including pensions and compensation payments payable to the Senior Management; monitors disclosures made to investors and the public; verifies the independence of the directors of the Bank (the **Directors**); and ensures the Directors sitting on the Board and Committees are suitably skilled and have appropriate understanding of the Group's structure and operations. In addition, this committee reviews the Bank's Corporate Governance Policy and approves the annual corporate governance report, as well as advising the Board on external developments or policy changes concerning governance while monitoring compliance for all Group entities with governance related regulations and laws.

The Board audit and compliance committee (the **Board Audit and Compliance Committee**) oversees the contracting of, and monitoring the independence and objectivity of, the external auditors, while also monitoring as part of its normal course of activity, the integrity of the Group's financial statements and the periodic published financial reports. This committee also monitors compliance with the accounting standards, and the listing and disclosure rules applicable to the Group. The committee monitors and revises, where necessary, internal financial and control systems, the overall culture and attitude towards control established within the Group, business continuity plans, and follows up on corrective actions where required. The committee further considers and reviews the findings of principal investigations in internal control matters, ensures co-ordination between internal and external auditors and that proper arrangements are available to allow independent and fair investigation of any abnormalities reported or identified. The committee is also tasked with overseeing compliance by the Group with rules and regulations relating to anti-money laundering, anti-corruption, terrorism financing and sanctions.

Senior Management Committees

The following Senior Management Committees have been established:

- *Asset & Liability Management Committee* – Monitors the strategic management of the balance sheet, including the Group's capital, liquidity and risk profile, taking into account market developments, ensuring that the Group meets all its obligations and abides by the regulatory requirements.
- *IFRS 9 Committee* – Responsible for ensuring that the Group complies with the requirements under Basel III and IFRS 9, ensuring the completeness, accuracy, timeliness and consistency expected by regulators in these two developmental areas, while addressing the challenges of a fast-changing regulatory landscape.
- *Credit Committee* – Establishes guidelines for executing the Group's credit policies set by the Board. Further, the committee reviews the Group's credit portfolio; the market and business trends impacting that portfolio; approves credit facilities as per the delegation set by the Board from time to time; and reviews credit proposals to be submitted to the Board Credit Committee for approval.
- *Executive Committee* – Meets monthly and when required to discuss significant issues across the business units of the Group and to oversee the Board-approved plan for executing the Group's strategy.
- *HR Committee* – Strategically manages the HR processes of the Group to ensure their consistency with the business objectives. Moreover, it oversees and reviews the appropriateness of staff-related matters and compensation packages needed for achieving the Group's objectives.
- *Information Security Steering Committee* – Directs, approves, monitors and evaluates information security issues within the Group; ensures that information security policies and objectives are established and compatible with the strategic direction of the Group; ensures that regulatory information security standards are implemented and monitored; and promotes the continual improvement of information security governance across the organisation.
- *Information Technology (IT) Steering Committee* – Oversees the execution of the Group's IT strategy and its technology system developments, ensuring that IT projects are prioritised, well-defined and executed in a manner that is aligned to business requirements.
- *Internal Controls Committee* – Ensures that effective internal controls are in place, monitoring the Group's activities; updating and implementing rules and procedures pertaining to various functions across the Group; ensuring that organisational measures are taken, particularly with respect to the segregation of duties, aimed at mitigating the Group's risk exposures.
- *Regulatory Reporting Compliance Committee* – Is responsible for maintaining a sustained regulatory reporting framework across the Group. The committee's primary goal is to achieve the completeness, accuracy, timeliness and consistency in all reporting disciplines expected by regulators, while addressing the challenges of a fast-changing regulatory landscape.
- *Treasury Investment Committee* – Monitors the management of the Liquid Asset Investment Policy of the Group, ensuring consistency with business objectives. The committee reviews market conditions, and recommends investment management strategies for liquid asset purchases to the Group Chief Executive Officer, utilising investment delegations as authorised by the Board from time to time.

Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counter-parties to mitigate credit risk. The Group also has a credit review and analysis unit which independently reviews adherence to all risk management policies and processes.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

Policies relating to credit are reviewed and approved by the Board Credit Committee. All credit lines are approved in accordance with the Group's credit policy set out in the Credit Policy Manual. Credit and Marketing functions are segregated. In addition, whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The Group further limits risk through diversification of its assets by economic and industry sectors.

All credit facilities are administered and monitored by the Credit Risk Department. Periodic reviews are conducted by the Group's credit review and analysis unit and facilities are risk graded based on criteria established in the Credit Policy Manual.

Cross border exposure and financial institutions exposure limits for money market and treasury activities are approved as per guidelines established by the Board Credit Committee and are monitored by the Senior Management on a daily basis.

The Board Credit Committee is responsible for setting credit policy of the Group. It also establishes industry caps, approves policy exceptions, and conducts periodic portfolio reviews to ascertain portfolio quality.

Commercial/institutional lending underwriting

All credit applications for commercial and institutional lending are subject to the Group's credit policies, underwriting standards and industry caps (if any) and to regulatory requirements, as applicable from time to time. The Group does not lend to companies operating in industries that are considered by the Group to be inherently risky and where specialised industry knowledge is required. In addition, the Group sets credit limits for all customers based on their creditworthiness and repayment capacity.

All credit facilities extended by the Group are made subject to prior approval pursuant to a delegated signature authority system under the ultimate authority of the Board Executive Committee under the supervision of the Board.

Credit review procedures and loan classification

The Group's credit review and analysis unit subjects the Group's risk assets to an independent quality evaluation on a regular basis in conformity with the guidelines of the UAE Central Bank and the Group's internal policies in order to assist in the early identification of accrual and potential performance problems. The credit review and analysis unit validates the risk ratings of all commercial customers, provides an assessment of portfolio risk by product and industry and monitors observance of all approved credit policies, guidelines and operating procedures across the Group.

All commercial/institutional loan facilities of the Group are assigned one of ten risk ratings (1-10) where 1 is being excellent and 10 being loss with no reimbursement capacity and total provisioning.

If a credit is impaired, interest suspended will not be credited to the consolidated income statement. Specific allowance for impairment of classified assets is made based on recoverability of outstanding and risk ratings of the assets.

The Group also complies with IFRS 9 in accordance with which it assesses the need for any impairment losses on its loan portfolio by calculating the net present value of the expected future cash flows for each loan. As required by UAE Central Bank guidelines, the Group takes the higher of the loan loss provisions required under IFRS 9 and UAE Central Bank regulations.

The Board Executive Committee and Board Risk Committee

The Board Executive Committee and the Board Risk Committee have a broad range of authority delegated by the Board to manage the Group's asset and liability structure and funding strategy. The Board Executive Committee and Board Risk Committee review liquidity ratios; asset and liability structure; interest rate and foreign exchange exposures; internal and statutory ratio requirements; funding gaps; and general domestic and international economic and financial market conditions. The Board Executive Committee and Board Risk Committee formulate liquidity risk management guidelines for the Group's operation on the basis of such review.

The Senior Management monitors the liquidity on a daily basis and uses an interest rate simulation model to measure and monitor interest rate sensitivity and varying interest rate scenarios.

The following table sets out the Group's maximum exposure to credit risk as at 31 December 2020.

Loans and Advances	As at 31 December 2020 (AED'000)
Grade 1	32,737
Grade 2	251,050
Grade 3	1,682,712
Grade 4	6,395,179
Grade 5	4,099,427
Grade 6	2,100,297
Grade 7	4,124,910
Default grades 8-10	2,713,248
Total gross carrying amount.....	21,399,560
Allowance for impairment losses.....	(1,943,953)
Net carrying amount.....	19,455,607

The following table sets out the Group's IFRS 9 Stage 1, 2 and 3 exposure to credit risk as at 31 December 2020.

	Stage 1	Stage 2	Stage 3	Total
Loans and advances	(AED'000)			
Grade 1	32,737	-	-	32,737
Grade 2	251,050	-	-	251,050
Grade 3	1,681,727	985	-	1,682,712
Grade 4	6,094,500	300,679	-	6,395,179
Grade 5	3,328,329	771,098	-	4,099,427
Grade 6	1,414,708	685,589	-	2,100,297
Grade 7	76,510	4,048,400	-	4,124,910
Default grades 8-10	-	-	2,713,248	2,713,248
Total gross carrying amount.....	12,879,561	5,806,751	2,713,248	21,399,560
Allowance for impairment losses	(289,678)	(760,970)	(893,305)	(1,943,953)
Net carrying amount.....	12,589,883	5,045,781	1,819,943	19,455,607

The following table sets out the Group's IFRS 9 Stage 1, 2 and 3 exposure to credit risk as at 31 December 2019.

	Stage 1	Stage 2	Stage 3	Total
Loans and advances	(AED'000)			
Grade 1	-	-	-	-
Grade 2	557,909	-	-	557,909
Grade 3	2,975,022	-	-	2,975,022
Grade 4	4,185,690	25,425	-	4,211,115
Grade 5	3,652,153	411,677	-	4,063,830
Grade 6	650,966	1,697,204	-	2,348,170
Grade 7	747,862	2,009,139	-	2,757,001
Default grades 8-10	-	-	2,667,331	2,667,331
Total gross carrying amount.....	12,769,602	4,143,445	2,667,331	19,580,378
Allowance for impairment losses	(409,288)	(607,198)	(828,136)	(1,844,622)
Net carrying amount.....	12,360,314	3,536,247	1,839,195	17,735,756

The following table sets out the Group's IFRS 9 Stage 1, 2 and 3 exposure to credit risk as at 31 December 2018.

	Stage 1	Stage 2	Stage 3	Total
Loans and advances	(AED'000)			
Grade 1	85	-	-	85
Grade 2	329,887	-	-	329,887
Grade 3	1,091,780	-	-	1,091,780
Grade 4	5,251,069	98,498	-	5,349,567
Grade 5	2,249,385	998	-	2,250,383
Grade 6	71,277	3,369,578	-	3,340,855
Grade 7	152	3,739,264	-	3,739,416
Default grades 8-10	-	-	2,125,584	2,125,584
Total gross carrying amount.....	8,993,635	7,208,338	2,125,584	18,327,557
Allowance for impairment losses	(21,760)	(755,104)	(1,336,359)	(2,113,223)
Net carrying amount.....	8,971,875	6,453,234	789,225	16,214,334

The following table sets out the UAE Central Bank classification of loans and advances as at 31 December 2020 and 31 December 2019.

	As at 31 December	
	2020	2019
	(AED'000)	
Normal.....	9,340,851	7,199,030
Other loans exceptionally monitored	1,624,058	1,760,600
Substandard	5,754,924	5,417,977
Doubtful.....	2,587,094	2,538,366
Loss	415,102	436,063
Total gross carrying amount.....	19,722,029	17,352,036
Allowance for impairment losses.....	(1,758,775)	(1,659,962)
Net carrying amount.....	17,963,254	15,692,074

As at 31 December 2020, loans and advances measured at amortised cost included AED 148.3 million (compared to AED 406.7 million as at 31 December 2019) of loans that were past due but not impaired. Past due but not impaired includes loans and advances that are either fully secured or there is no concern over the credit worthiness of the counterparty as per Senior Management's judgment.

Note 42 to the 2020 Financial Statements provides detail regarding the impact of the COVID-19 pandemic on the Group's ECLs and credit exposure. The Group incorporated COVID-19 impacted variables into its IFRS 9 calculations, including updated macro-economic forecasts, to reflect the impact of COVID-19. This resulted in an estimated AED 155 million impact on ECL and net of other overlays, is reflected in the statement of profit and loss in 2020.

In 2020, zero cost funding under the UAE Central Bank Targeted Economic Support Scheme (TESS) availed by the Group amounted to AED 334 million to provide temporary relief from the payments of principal and/or interest/profit on outstanding loans for customers impacted by the COVID-19 pandemic. As per UAE Central Bank requirements, the Group has divided its customers benefiting from payment deferrals into two groups: Group 1 which includes those customers that are not expected to face substantial changes in their creditworthiness, beyond liquidity issues and are temporarily and mildly impacted by the COVID-19 crisis; and Group 2 which includes those customers that are expected to face substantial changes in their creditworthiness, in addition to liquidity issues that will be addressed by payment deferrals. Customers in group 1 remain in their current IFRS 9 stage, at least for the duration of the crisis, or their distress, whichever is shorter. For customers in group 2, there is sufficient deterioration in credit risk to trigger IFRS 9 stage migration. As at 31 December 2020, Retail Banking had 36 clients benefitting from payment deferrals (both TESS clients and non-TESS clients), representing payment deferrals of AED 4.0 million and exposure of AED 32.4 million and Commercial Banking had 44 clients benefitting from payment deferrals (both TESS clients and non-TESS clients), representing payment deferrals of AED 858.4 million and exposure of AED 5,723.3 million.

Concentrations of Risks of Financial Assets with Credit Risk Exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations therefore indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to limit concentrations of exposures to counterparties, geographies and industries. Identified concentration of credit risk is controlled and managed accordingly.

As at 31 December 2020, the Group's top 10 borrower groups (being customers from within the same group of companies) accounted for 33 per cent. of the Group's net loans and advances. However, the Group believes that within those borrower groups, there is significant risk diversity across industry and economic sectors as many of the Group's largest customers have discrete and separate business activities which span the entirety of the UAE's economy.

Exposures by geography

The following table sets out the Group's credit exposures categorised by geographical region, based on the country of domicile of its counterparties as at 31 December 2020 and 31 December 2019.

31 December 2020	UAE	Lebanon	Others	Total
	(AED'000)			
Loans and advances	17,963,254	1,492,353	-	19,455,607
Other financial assets	4,548,032	113,779	-	4,661,811
Total exposures	22,511,286	1,606,132	-	24,117,418
31 December 2019	UAE	Lebanon	Others	Total
	(AED'000)			
Loans and advances	15,670,954	2,064,802	-	17,735,756
Other financial assets	777,574	294,123	-	1,071,697
Total exposures	16,448,528	2,358,925	-	18,807,453

For further information on the Group's impairment policies, see "—*Loan Classification and Impairment Policy*" below.

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities.

The Group manages its liquidity in accordance with UAE Central Bank requirements and the Group's internal guidelines. The UAE Central Bank sets cash ratio requirements on overall deposits ranging between 1.0 per cent. for time deposits and 14.0 per cent. for demand deposits. The UAE Central Bank also imposes a mandatory 1:1 utilisation ratio, whereby loans and advances (combined with inter-bank placements having a remaining term of 'greater than three months') should not exceed stable funds as defined by the UAE Central Bank. Stable funds are defined by the UAE Central Bank to mean free-own funds, inter-bank deposits with a remaining term of more than six months, and stable customer deposits. To guard against liquidity risk, the Group diversifies its funding sources and manages its assets with liquidity in mind, seeking to maintain a preferable proportion between cash, cash equivalent, and readily marketable securities. The Board Risk Committee sets and monitors liquidity ratios and regularly revises and updates the Group's liquidity management policies to ensure that the Group will be in a position to meet its obligations as they fall due. Management of liquidity risk within the parameters prescribed by the Board Risk Committee has been delegated to the Asset & Liability Management Committee.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or potential damage to the Group's reputation.

The Treasury department communicates with other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury maintains a portfolio of short-term liquid assets to ensure liquidity is maintained within the Group's operations as a whole.

The daily liquidity position is monitored and regular liquidity stress testing is performed under a variety of scenarios covering both normal and severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board Risk Committee. The daily position sheet, which reports the liquidity and exchange positions of the Group is reviewed by Senior Management. A summary report, including any exceptions and remedial action taken, is submitted to the Board Risk Committee.

As at 31 December 2020, 28.88 per cent. of the Group's total assets were liquid assets, compared to a minimum regulatory requirement of 10 per cent. The ASRR of the Group as at 31 December 2020 stood at 91.31 per cent. which is below the maximum limit of 100 per cent. set by the UAE Central Bank.

Market risk management

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into trading, or non-trading/banking book. For further details on the Group's market risk – trading book, see note 40, Market risk management (a) and for further details on the Group's market risk – non-trading or banking book, see note 40, Market risk management (b) to the Group's 2020 Financial Statements.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities.

The Group uses simulation-modelling tools to periodically measure and monitor interest rate sensitivity. The results are monitored and analysed by the Senior Management. Since most of the Group's financial assets and liabilities are floating rate, deposits and loans generally re-price simultaneously providing a natural hedge, which reduces interest rate exposure. Moreover, the majority of the Group's assets and liabilities will be re-priced within one year or less, thereby further limiting interest rate risk.

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risks can cause damage to reputation, and may have legal or regulatory implications, or lead to financial losses. The Group would not be able to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group could minimise the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including internal audit reviews.

Credit Approval Procedures

Credit approval is subject to robust prescriptive procedures. Credit Officers and Managers are responsible for origination while the credit review and analysis unit validates independently all aspects of originated applications including financial data, risk appetite and strategic importance. Once approved by the credit review and analysis unit, cases are referred to the relevant sanctioning authority, which is either the Management Credit Committee, Group Chief Executive Officer or the Board Credit Committee depending on the level of credit requested.

Loan Classification and Impairment Policy

Loans and advances and provision for impairment

Loans and advances are non-derivative financial assets originating from or acquired by the Group with fixed or determinable payments. Loans and advances are stated at amortised cost less any amounts written off and allowance for doubtful accounts. The carrying values of loans and advances which are being effectively hedged for changes in fair value are adjusted to the extent of the changes in fair value being hedged with the resultant adjustment recognised in the consolidated income statement.

Allowance for impairment is made against loans and advances when their recovery is in doubt taking into consideration IFRS requirements for fair value measurement. Loans and advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The ratio of provisions held to aggregate impaired loans (the coverage ratio) is an indicator of the Group's achievements in managing lower default rates and improving recovery rates. For the computation of the coverage ratio, the Group considers the total impairment provision including the portfolio provision for risk inherent in the Group's portfolio.

The total impairment provision for loans and advances of the Group was AED 1,944.0 million as at 31 December 2020 (compared to AED 1,844.6 million as at 31 December 2019) of which AED 893.3 million as at 31 December 2020

(compared to AED 828.1 million as at 31 December 2019) represented provisions in respect of the individually impaired loans and advances and the remaining AED 1,050.6 million as at 31 December 2020 (compared to AED 1,016.5 million as at 31 December 2019) represented the portfolio provision to reflect the risk inherent in the Group's loan portfolio.

Regulatory and Internal Audit

Industry regulation and supervision

Banking and financial institutions in the UAE are subject to governmental supervision and regulation exercised by the Securities and Commodities Authority (SCA), the UAE Central Bank and the competent local authority in the Emirate in which the institution is registered, which in Sharjah is the Department of Economic Development.

The principal source of banking regulation in the UAE is the UAE Central Bank. The UAE Central Bank provides prudential supervision of each bank's capital adequacy, liquidity and anti-money laundering controls and its general banking activities. Monitoring by the UAE Central Bank is undertaken by way of regular inspections of banks and their records and the requirement for regular submission of data including, but not limited to, deposited funds, loans and mortgage business, liquidity status and anti-money laundering measures.

The Bank submits monthly, quarterly and annual reports to the Banking Supervision and Examination Department of the UAE Central Bank. In addition, the Bank's Memorandum and Articles of Association and any amendments thereto, its audited financial statements, its distribution of dividends and certain other documents are all approved by the UAE Central Bank.

As a UAE company, the Bank is also subject to supervision and regulation by both the UAE Ministry of Economy and Planning and other regulatory authorities within each of the Emirates that collectively constitute the UAE. In addition, the Department of Economic Development has a very wide jurisdiction in relation to issues such as the incorporation of companies and the regulation of internal and external trade. Finally, as a company listed on the ADX, the Bank is subject to the rules and regulations of that securities market as enforced by the SCA.

Internal audit

The Group has an independent Internal Audit function supported by a co-source with PricewaterhouseCoopers, an international accounting firm. The Group has engaged PricewaterhouseCoopers to provide services in carrying out reviews and assignments on internal audit matters in accordance with the Board-approved audit plan for the year under the supervision of the head of Internal Audit.

The function reports directly to the Board Audit and Compliance Committee. The annual audit plan is approved by the Board Audit and Compliance Committee. The function adopts a risk-based audit methodology and the frequency of the audits of auditable function within the Group is based on various risk factors. The audits are executed in accordance with the plan and all reports are presented to the Board Audit and Compliance Committee. All audit observations are recorded and followed up for timely management actions, outstanding audit issues are discussed with Senior Management on a monthly basis and exceptions are escalated to the Board Audit and Compliance Committee.

DIVIDENDS

Following the Annual General Meeting on 5 August 2020 and the subsequent approval from the UAE Central Bank, the shareholders approved no cash dividends distribution in respect of 2019. This compares to no cash dividends distribution in respect of 2018.

CAPITAL ADEQUACY

The Group's objectives when managing capital are: (i) to comply with the capital requirements set by the UAE Central Bank; (ii) to safeguard the Group's ability to continue as a going concern and increase the returns for the shareholders; and (iii) to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Senior Management, employing techniques based on the guidelines developed by the Basel Committee and the UAE Central Bank. The UAE Central Bank is the Bank's principal regulator and sets and monitors its capital requirements. The required information is filed with the UAE Central Bank on a quarterly basis.

The UAE Central Bank requires each bank to: (i) hold the minimum level of regulatory capital; and (ii) maintain a ratio of total regulatory capital to risk-weighted assets, at or above a minimum of 10.5 per cent..

The Group complies with the Basel III capital adequacy guidelines and its risk asset ratios are well in excess of those set by the Basel Committee.

The Group has successfully implemented the standardised approaches to credit risk as required by the UAE Central Bank.

For operational risk, the UAE Central Bank has given banks the option to use the Basic Indicator Approach or the Advanced Measurement Approach and the Group has chosen to use the Basic Indicator Approach.

The following table sets out the Group's capital structure and capital adequacy in accordance with Basel III requirements as at 31 December 2020 and 31 December 2019.

	As at 31 December	
	2020	2019
	(AED'000)	
Capital base		
Tier 1 capital.....	2,723,616	2,920,581
Tier 2 capital.....	339,773	329,871
Total.....	3,063,389	3,250,452
Risk weighted assets		
Credit risk.....	27,181,855	26,389,680
Market risk.....	266,517	360,838
Operational risk.....	1,149,361	1,290,982
Total risk weighted assets.....	28,597,733	28,041,500
Capital adequacy ratio (%).....	10.71	11.59

The above ratios are computed without considering the current year profits and proposed cash dividends.

The Bank is currently regulated with respect to its prudential liquidity obligations under the UAE Central Bank's Liquid Asset Ratio regime, which requires UAE banks to maintain a minimum ratio of 10 per cent. of total deposits in eligible liquid assets. In fact, the Bank's Liquid Asset Ratio is maintained at a significantly higher level than the minimum required, and stood at 9.38 per cent. and 16.65 per cent. at 31 December 2020 and 31 December 2019 respectively, as measured by the UAE Central Bank methodology. The Bank held additional, non-UAE Central Bank, eligible liquid assets as at 31 December 2020 equal to an additional 2.27 per cent. of deposits (primarily in short term loans and nostro balances to correspondent banks), bringing its total liquid assets ratio as at 31 December 2020 to 11.65 per cent. (See further "*The United Arab Emirates Banking Sector and Prudential Regulations—Liquidity*").

ANTI-MONEY LAUNDERING POLICIES

The Group has implemented detailed anti-money laundering and KYC policies and procedures. The Board Audit and Compliance Committee oversees the Group's compliance with anti-money laundering rules and regulations applicable to the Group. The responsibility for implementation and compliance rests with the Head of Compliance, assisted by a team experienced in monitoring and ensuring compliance to standards of international best practice.

All transactions are closely monitored and suspicious transactions are reported to the Anti-Money Laundering and Suspicious Cases Unit of the UAE Central Bank. The Compliance Unit monitors all transactions for countries or individuals mentioned in the OFAC list, as well as United Kingdom, European Union and United Nations sanctions lists and is supported by sophisticated technology in identifying suspicious transactions before the underlying transactions are processed by the banking systems.

INFORMATION TECHNOLOGY

The IT department of the Group regularly reviews the technology changes in the market and assesses the need to upgrade the Group's technology platform in order to support the business growth as set out in the short-term business plan.

The IT strategy for the next three years was formulated to ensure that the anticipated growth in business volumes is accommodated and that the Group benefits from the use of the latest technology. Automation levels are continually upgraded and the Group operates an ongoing process of constant re-engineering.

The Group uses state of the art servers based on different platforms. Whilst some software is currently developed in-house, the Group has entered into strategic agreements with leading software developers to develop and install various automation and system changes requested by the business (for example, Misys Banking Solution for the core banking system, CR2 Limited for electronic services, BAE Systems & World Check for anti-money laundering and sanctions). The Group also has an ATM network consisting of 18 machines as at 31 December 2020. These machines are linked to

national and international switches (e.g. UAESWITCH, Visa) which provides the Group's customers with easy access to their funds. The Group also utilises multiple data centres to ensure business continuity in case of disruptions.

INSURANCE

The Group has various insurance policies in place, including fire, property, terrorism, third-party liability and bankers blanket bond insurance policies. The Group believes that these insurance policies provide it with comprehensive insurance coverage against the various risks to which it may be exposed.

LITIGATION

During the ordinary course of its business, the Group may be subject to legal proceedings and adjudications. The Group is not involved in any litigation, arbitration or administrative proceedings relating to claims which could have a material adverse effect on its financial condition and the results of operations and is not aware of any such litigation, arbitration or administrative proceeding that is pending or threatened. Therefore, no material provision has been made as at 31 December 2020 regarding any outstanding legal proceedings against the Group.

AUDITORS

The Group's auditors are Deloitte & Touche (M.E.) of P.O. Box 4254, Dubai, United Arab Emirates. Deloitte are regulated in the UAE by the UAE Ministry of Economy and Planning.

The 2019 Financial Statements were audited by KPMG Lower Gulf Limited of P.O. Box 3800, Dubai.

Both Deloitte and KPMG are regulated in the UAE by the UAE Ministry of Economy and Planning. There is no professional institute of auditors in the UAE and, accordingly, neither Deloitte or KPMG are members of a professional body in the UAE. All of Deloitte and KPMG's audit professionals and partners are members of the institutes from where they received their professional qualification.

The Financial Statements have been audited in accordance with International Standards on Auditing without qualification.

RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, Directors, Senior Management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The related parties balances and the significant transactions with related parties for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 are as follows:

	31 December		
	2020	2019	2018
	<i>(AED '000)</i>		
Loans and advances	704,331	638,554	492,785
Letters of credit, guarantee and acceptances	4,023	11,415	120,140
	708,354	649,969	612,925
Collateral deposits	15,500	7,170	7,281
Net exposure	692,854	642,799	605,644
Other deposits	3,136,976	158,669	131,559
Interest income	53,028	51,187	50,905
Interest expense	17,230	12,005	10,215
Compensation of Directors and key management personnel			
Short term benefits	16,560	16,410	10,110
Directors fees	-	7,500	7,500
End of service benefits	1,940	1,292	5,489
Total compensation as at 31 December	18,500	25,202	23,099

As at the date of this Base Prospectus, the Group is in compliance with the UAE Central Bank's guidelines and regulations on related party transactions.

MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

The Bank operates under the direction of the Board, which comprises 11 members including the Chairman of the Board, Sheikh Mohamed Bin Saud Al Qasimi. In line with Basel III, the Board has overall responsibility for the Bank, including approving and overseeing the implementation of the Group's strategic objectives, risk strategy, corporate governance and corporate values. It is the Board's responsibility to direct and supervise the general management. The majority of the Board are independent and meet regularly, six times a year. In addition, the Board may convene whenever the need arises upon the invitation of the Chairman, by three of its Directors or by the Group Chief Executive Officer.

The term of the Board is three years at the end of which a new Board is elected. Directors whose term expires may be re-elected. The Board elects a Chairman and Deputy Chairman by a simple majority vote.

The Board appoints two executive committees, the Board Executive Committee and the Board Credit Committee and other committees from amongst its members and also appoints a Group Chief Executive Officer who is responsible for implementing board resolutions and running the day-to-day business of the Bank, although the overall responsibility for the direction and strategy of the business of the Group remains vested in the Board.

The following table provides certain information in relation to the Board:

Name	Position	Year of Appointment
His Highness, Doctor Sheikh Sultan bin Muhammad Al-Qasimi	Honorary Chairman	1973
Sheikh Mohammed Bin Saud Al Qasimi	Chairman, Non-Executive Director	2004
Sheikh Saif Bin Mohammed Bin Butti Al Hamed	Vice Chairman, Independent Non-Executive Director	1999
His Excellency Humaid Nasir Al Owais	Independent Non-Executive Director	1973
Mr. Abdul Aziz Mubarak Al Hasawi	Non-Executive Director	2005
Mr Abdul Aziz Al Midfa	Independent Non-Executive Director	1973
Mr. Saud Al Besharah	Independent Non-Executive Director	1985
Mr. Salem Al Ghammai	Independent Non-Executive Director	2017
Mr. Francois Dauge	Independent Non-Executive Director	1995
Mr. Abdulla Sherif Al Fahim	Independent Non-Executive Director	2018
Mr. Salah Al Noman (Al Shamsi)	Independent Non-Executive Director	2020
Mr. Amer Khansaheb	Independent Non-Executive Director	2020

The Board comprises members of the ruling families of the UAE and businessmen from the UAE and Kuwait. The business address of each of the Directors is Bank of Sharjah, Al Khan Street, PO Box 1394, Sharjah, United Arab Emirates.

Sheikh Mohammed Bin Saud Al Qasimi – Chairman, Non-Executive Director

Sheikh Mohamed Bin Saud Al Qasimi has been a member of the Board since 2004 and was Deputy Chairman from 2008 until his appointment as Chairman in 2019. He is a member of the Sharjah ruling family and the Chairman of the Government of Sharjah – Finance Department and is a prominent businessman.

Sheikh Saif Bin Mohammed Bin Butti Al Hamed – Vice Chairman, Independent Non-Executive Director

Sheikh Saif Bin Mohammed Bin Butti Al Hamed has been a member of the Board since 1999 and was appointed Vice Chairman in 2019. He is a member of the Abu Dhabi ruling family and a prominent businessman, who owns substantial businesses in the UAE and sits on many company boards. He is the son of Sheikh Mohamed Bin Butti Al-Hamed, the uncle, and a former Representative for the Western Region, of His Highness the Ruler of Abu Dhabi, and a major shareholder of United Al Saqr Group, Abu Dhabi.

His Excellency Humaid Nasir Al Owais – Independent Non-Executive Director

His Excellency Humaid Nasir Al Owais has been a member of the Board since 1973 and is one of the founding members of the Bank. He is the former Federal Minister of Electricity and Water and a prominent businessman who maintains private businesses.

Mr. Abdul Aziz Al Hasawi – Non-Executive Director

Mr. Abdul Aziz Al Hasawi has been a member of the Board since 2005. He is the son of the late Mr. Mubarak Al-Hassawi, one of the three main founders of the Bank. He is a well-known Kuwaiti businessman, chairman and a senior executive in several leading institutions across Kuwait. He owns and manages companies across the region including the UAE, Saudi Arabia, Lebanon and Bahrain as well as other jurisdictions in Europe.

Mr Abdul Aziz Al Midfa – Independent Non-Executive Director

Mr Abdul Aziz Al Midfa has been a member of the Board since 1973. He is a former Director of the Finance Department in Sharjah.

Mr. Saud Al Besharah – Independent Non-Executive Director

Mr. Saud Al Besharah has been a member of the Board since 1985. He is a prominent businessman in Kuwait and a director on other company boards.

Mr. Salem Al Ghammai – Independent Non-Executive Director

Mr. Salem Al Ghammai has been a member of the Board since 2017. He has held several posts in the education sector including as a member of the Advisory Board of Sharjah, a member of UNESCO Executive Council, and a member, and later the Vice-Chairman and Chairman, of the Executive Council of the Arab Organization for Education, Culture and Science.

Mr. Francois Dauge – Independent Non-Executive Director

Mr. Francois Dauge has been a member of the Board since 1995. He is a former executive of BNP Paribas and a member of the Franco/Lebanese Chamber of Commerce, Paris, France.

Mr. Abdulla Sherif Al Fahim – Independent Non-Executive Director

Mr. Abdulla Sherif Al Fahim has been a member of the Board since 2018. He is a prominent businessman in Sharjah and owns several businesses in leading sectors of the Sharjah economy.

Mr. Salah Al Noman (Al Shamsi) – Independent Non-Executive Director

Mr. Salah Al Noman has been a member of the Board since 2020. He is a prominent businessman in the Emirate of Sharjah and he graduated in 1993 with a degree in Business Administration from the UAE University Al Ain.

Between 1997 and 1999, Mr. Noman was Deputy Head of Department at Sharjah Industrial Development Department and between 1999 and 2003 was Head of Technical Department at Sharjah Industrial Development Department

From 2004 to 2008, Mr. Noman was General Manager Amal Gulf Company, Sharjah and has been Deputy General Manager at Thumam Investments LLC, Sharjah since 2008.

Mr. Amer Abdulaziz Khansaheb – Independent Non-Executive Director

Mr. Amer Abdulaziz Khansaheb has been a member of the Board since 2020. He is the Managing Director of Khansaheb Investment, one of Dubai's longest standing family-owned business conglomerates. He also sits on the board of Khansaheb Civil Engineering. Khansaheb Investment owns a diverse portfolio of businesses, operating across multiple industries such as construction, facilities management, real estate, healthcare, manufacturing, food and beverage, and aviation training.

Mr. Amer has been a Chartered Financial Analyst (CFA) charter holder since 2010. He was the president of CFA Society Emirates from 2013 to 2019. Mr. Amer holds a degree in Civil and Environmental Engineering from American University of Beirut as well as a Master of Science degree in Project Management from British University in Dubai.

OTHER SENIOR MANAGEMENT

The Bank has a highly experienced and qualified Senior Management team appointed by the Board. Senior Management's role is separate from that of the Board. The Directors provide guidance to the Senior Management team on the best way for achieving the Group's aims and objectives. A key focus for Senior Management is ensuring that the Group is conducting its business in line with its objectives while maintaining a focus on internal controls and risk management. The Board ensures that Senior Management acts in a fair and honest fashion and in the best interests of the Group's stakeholders.

Mr. Varouj Nerguizian – Group Chief Executive Officer

Mr. Varouj Nerguizian joined the Bank in 1977 and has, as a member of the staff of BNP Paribas, held the position of Group Chief Executive Officer (previously designated General Manager) of the Bank since 1992. He became an Executive Director of the Board in 2008. He is the Chairman and General Manager of Emirates Lebanon Bank S.A.L. as well as a member of the board of several other entities. He is also the Chairman of the Lycée Libanais Francophone Privé Dubai, a non-profit educational institution, a member of the board of trustees of the American University of Sharjah, and a member of the Conseil Stratégique de l'Université Saint-Joseph in Beirut.

Mr. Fadi Ghosn – General Manager, Business Development

Mr. Fadi Ghosn joined the Bank in 1990 and was appointed General Manager, Business Development (previously designated Deputy General Manager) in 2005. He handles the Bank's branch network and business development while also being a member on both the board of directors and executive committee of Emirates Lebanon Bank. He is also a member of the board of trustees of Lycée Libanais Francophone Privé Dubai, a non-profit educational institution.

Mr. Mario Tohme – General Manager, Operations

Mr. Mario Tohme joined the Bank in 1987 and was appointed General Manager, Operations (previously designated Deputy General Manager) in 1997. He is also a director of some of the Bank's subsidiaries and serves as a member of the board and Executive Committee of Emirates Lebanon Bank. He has also served as a member of the board of trustees at Lycée George Pompidou, serving one year as treasurer, and is a member of the board of trustees of Lycée Libanais Francophone Privé Dubai.

Mr. Wissam Moukahal – General Manager, BOS Capital and BOS Real Estate

Mr. Moukahal joined the Bank in November 2020 as General Manager of BOS Capital & BOS Real Estate.

Mr. Moukahal led Macquarie Capital Middle East as Executive Chairman from 2014 until 2020, following his twelve years at Deloitte Middle East, including nine years as partner. He also served as Chairman of Deloitte & Touches' Middle East Board Advisory Committee and was the financial services industry leader for Deloitte in the UAE. Mr. Moukahal holds a Bachelor's degree in Business Banking and Finance from the Lebanese American University and is a U.S. Certified Public Accountant (CPA).

Mr. Moukahal founded the Z. Moukahal Foundation which funds the education of underprivileged students in Lebanon and provides them with the skills and support to better their chances of professional success.

BOARD AND SENIOR MANAGEMENT COMMITTEES

The Group has established a number of Board and Senior Management committees to supervise, manage and facilitate a wide range of the Group's business lines, operations, corporate governance, compliance and remuneration functions. For further information on such committees, see "*—Description of the Group—Risk Management*".

CONFLICTS

As at the date of this Base Prospectus, there are no existing or potential conflicts of interest between any duties owed to the Bank by its Directors and Senior Management referred to above and the private interests or external duties of those Directors and Senior Management.

As at the date of this Base Prospectus, there are no existing or potential conflicts of interest between the Government of Sharjah and the Bank or between members of the ruling families of the UAE and the Bank and the private interests or external duties of those members of the ruling family of the UAE.

EMPLOYEES

As at 31 December 2020, the Bank had 280 employees. The majority of Senior Management are bankers who joined the Bank with a considerable number of years of experience and having previously worked for multinational banks.

The Bank considers business continuity planning to be critical and from a human resource perspective the Bank has taken measures to manage key man risks in all critical functions.

MANAGEMENT OF EMIRATES LEBANON BANK

The board of Emirates Lebanon Bank is principally comprised of members of the Board and Senior Management.

THE UNITED ARAB EMIRATES BANKING SECTOR AND PRUDENTIAL REGULATIONS

Summary

According to data published by the UAE Central Bank there were a total of 48 banks (21 locally incorporated banks and 27 foreign banks), as well as 10 wholesale banks, licensed to operate in the UAE as at 30 June 2021 (excluding the Dubai International Financial Centre (the **DIFC**)), to serve a national population of approximately 9.9 million in mid-2020 (source: Statistical Yearbook 2020 edition, United Nations Department of Economic and Social Affairs, Statistics Division). As a result, the UAE could be viewed as an over-banked market. However, the need for operating efficiency and cost effectiveness, especially following the COVID-19 pandemic, has driven digitisation, in which the number of bank branches decreased from 541 at the end of 2020 to 522 at the end of June 2021 (source: UAE Central Bank). 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 UAE Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the UAE Central Bank.

The introduction by the UAE Central Bank in 2014 of the Interim Marginal Lending Facility (**IMLF**) enables non-Islamic UAE banks to use certain rated or Federal Government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management.

Characteristics of the Banking System

Large number of operating banks

The UAE may be seen as being over-banked with 48 different banks as at 30 June 2021. Traditionally there has been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial difficulties and some commentators suggest that the 2008 global financial crisis created more favourable conditions for consolidation. 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 to not dilute shareholdings have also hampered the process of consolidation. However, 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. In January 2020, Dubai Islamic Bank P.J.S.C. acquired Noor Islamic Bank and in October 2010 took a controlling stake of 58.25 percent in Tamweel. In 2012, Emirates Islamic Bank P.J.S.C. merged with Dubai Bank P.J.S.C. In addition, the mergers between National Bank of Abu Dhabi and First Gulf Bank, which was consummated on 30 March 2017, and Abu Dhabi Commercial Bank, Union National Bank and Al Hilal Bank, which was consummated on 1 May 2019, are anticipated to stimulate further moves towards greater consolidation amongst UAE banks.

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 and are showing growing interest in cross-border business.

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

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

Limited Foreign Ownership

In 1987, the Federal Government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the UAE 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, the Government sought to replicate the success of the DIFC by announcing its intention to establish the Abu Dhabi Global Market in Abu Dhabi (the **ADGM**), as an international financial free zone with its own legal framework (closely based on English common law). The ADGM became operational in mid-2015.

Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements.

Islamic Banking

Shari'a (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank P.J.S.C., Abu Dhabi Islamic Bank P.J.S.C., Emirates Islamic Bank P.J.S.C., Al Hilal Bank P.J.S.C., 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

Under the 2018 Federal Law, the UAE Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the Federal Government would ultimately stand as de facto defender of the currency and the "lender of last resort".

The 2018 Federal Law grants the UAE Central Bank powers to:

- draw up and implement monetary policy;
- exercise currency issuance;

- organise licensed financial activities, establish the foundations for carrying them on, and determine the standards required for developing and promoting prudential practices in accordance with the provisions of the 2018 Federal Law and international standards;
- set up appropriate regulations and standards for protection of customers of licensed financial institutions;
- monitor the credit condition in the UAE, in order to contribute to the achievement of balanced growth in the national economy;
- manage foreign reserves to maintain, at all times, sufficient foreign currency assets to cover the monetary base as per the provisions of the 2018 Federal Law; and
- regulate, develop, oversee and maintain soundness of the financial infrastructure systems in the UAE.

The UAE Central Bank issues certificates of deposit (**CDs**) to UAE banks, denominated in both U.S. dollars and dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the UAE Central Bank at any time. In 2007, the UAE Central Bank introduced an auction system which allows U.S. dollar drawings against dirham CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

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

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority (**DFSA**) regulates all banking and financial services activities in the DIFC while the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector in the ADGM.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the Abu Dhabi Securities Exchange (both of which were established in 2000), have grown 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, which could lead to an increase in interest and investment from international institutional investors in the UAE.

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 customers, in terms of both deposits and project financing.

Expatriate Workforce

An unusual feature of the UAE economy is its reliance on overseas labour. 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 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. This policy has now been replaced by the Emiratisation Circular, which has introduced a scoring system which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties to be computed in accordance with a specific formula set out in the Emiratisation Circular.

Accounting Standards

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (**IAS**)). Pursuant to Central Bank Circular No. 162/2018 dated 28 August 2018 all UAE banks are also required to prepare their financial statements in accordance with the instructions of the Central Bank. Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

Recent Trends in Banking

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. 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. 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.

Between 2008 and 2011, and again in 2015 and 2016, the UAE economy was negatively impacted, in particular, by sharp downward corrections in the price of oil, which affected a number of key economic sectors including energy, trade, tourism, real estate and commerce. These economic slowdowns along with reduced levels of liquidity in the market, constrained lending and resulted in the majority of UAE banks being less profitable in these periods than in previous years.

Liquidity

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

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

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies. According to data made available by the UAE Central Bank, together, these deposits constituted approximately 63 per cent. of total deposits of the UAE banking sector as at 30 June 2020, whereas the UAE federal government and the public sector constituted approximately 20 per cent. of total deposits within the UAE banking sector as at 30 June 2020. Non-resident and other sources contributed approximately 10.7 per cent. as at the same date (source: UAE Banking Indicators (June 2020), UAE Central Bank).

In response to the global financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the UAE Central Bank. The UAE Central Bank and the UAE Federal Government have also further provided assistance to UAE banks in response to the COVID-19 pandemic, as discussed below.

In addition to these measures, the Federal Government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, could be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the Federal Government deposits made with them into Tier 2 capital.

In line with Basel III requirements, the UAE Central Bank issued Circular 147/2015 dated 2 June 2015 entitled "Regulations re Liquidity at Banks" which entered into force in the UAE on 1 July 2015 and which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

Responsibilities of the board of directors:

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

Responsibilities of senior management:

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;
- to review the UAE bank's strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

Liquidity risk framework:

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the UAE Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide); results being communicated to the board of directors and the UAE Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the UAE Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two 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:	Eligible Liquid Assets Ratio (ELAR \geq 10%)	1 July 2015 – until LCR implementation for approved banks
	Advances to Stable Resources Ratio (ASRR $<$ 100%)	30 September 1986 until NSFR implementation for approved banks
Basel III ratios:	Liquidity Coverage Ratio (LCR $>$ 100%)	Effective transition from 1 January 2016 for approved banks
	Net Stable Funding Ratio (NSFR $<$ 100%)	Effective January 2018 onwards for approved banks

The Central Bank's eligible liquid assets ratio (**ELAR**) is an interim ratio which was designed to apply pending the liquidity coverage ratio (**LCR**) becoming effective (as described below). Under the ELAR, UAE banks are required to hold an amount equivalent to at least 10 per cent. of their liabilities in high quality liquid assets (including cash held with the UAE Central Bank, the UAE 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 UAE Central Bank to move to assessment of bank liquidity as against the LCR (and away from assessment against the interim ELAR), with effect from 1 January 2016. Any UAE banks taking up this option were required to comply with the ELAR until 1 January 2016, after which date they are required to move to compliance with the LCR (subject to receipt of UAE Central Bank approval).

Under ELAR, banks must hold an amount equivalent of at least 10 per cent. (or some other percentage as set by the Central Bank) of their total on balance sheet liabilities at all times in eligible assets (listed below). This ratio will be subject to upward revision from time to time either as a result of Central Bank policy or as a result of a recalibration exercise when assessing the impact of the LCR. Eligible assets under ELAR include:

- account balances at the Central Bank;
- physical cash at the bank;
- Central Bank CDs;
- UAE federal government bonds and sukuk;
- reserve requirements;
- UAE local government and public sector entities' publicly traded debt securities that are assigned a 0 per cent. credit risk weighting under the Basel II standardised approach (limited to a maximum of 20 per cent. of eligible liquid assets); and
- foreign, sovereign debt instruments or instruments issued by their central banks or multilateral development banks, which receive a 0 per cent. credit risk weighting under the Basel II standardised approach (limited to a maximum of 15 per cent. of eligible liquid assets).

The LCR represents a 30-day stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30-day stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with eligible liquid assets at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible liquid assets for this purpose. As discussed below, as part of the TESS, banks that are subject to the LCR are able to fall below the regulatory LCR requirement of 100 per cent. provided that their LCR is higher than or equal to 70 per cent.

As part of the Central Bank's gradual implementation of the Basel III reforms in the UAE, the Central Bank has introduced LCR in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. by 2019. This graduated approach was designed to ensure that the LCR could be introduced without disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity in the UAE.

The Advances to Stable Resources Ratio (**ASRR**) is an interim ratio which applies to UAE banks until they become subject to the NSFR (as described below). The ASRR recognises both the actual uses as well as the likely uses of funds in terms of contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

The Net Stable Funding Ratio (**NSFR**) is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It came into effect in January 2018, but only applies to UAE banks which have moved to assessment under the LCR. The NSFR also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding (**ASF**) factors to the sources of funds and required stable funding (**RSF**) (usage) factors to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned RSF 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 UAE Central Bank introduced the IMLF to enable non-Islamic UAE banks to use certain rated or Federal Government entity-issued assets to access UAE Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF allows lenders use certain assets as collateral to obtain one-day overnight loans from the UAE Central Bank. Eligible assets that can be used as collateral must be tradable and include bonds, sukuk and securities issued by the 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 and, in May 2011, Dubai Bank was taken over by the Government of Dubai. In October 2008, in response to the global financial crisis, the Federal Government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits, although the law is awaiting the approval of the President of the UAE and is therefore yet to be enacted. There can be no assurance that any draft law will subsequently be passed.. As such, until such time as the law is passed, there is no guaranteed Federal Government support.

Prudential Regulations

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

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were

required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions were deducted from regulatory capital.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent.; claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.; and GCC sovereign debt is risk-weighted at zero per cent.

All dividends paid by UAE banks have to be authorised in advance by the Central Bank. Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Dividends cannot be paid from this reserve, except in special legally defined circumstances. In addition, under the UAE Federal Law No. 14 of 2018 Regarding the Central Bank & Organization of Financial Institutions and Activities (the **2018 Federal Law**), the Central Bank may not approve proposed dividends by a UAE bank, if such bank has failed to maintain its capital adequacy ratio requirements at such time.

The Basel Committee has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III reforms, constituting guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. The implementation of the Basel III Reforms began on 1 January 2013. However, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. The January 2011 Press Release included the Non-Viability Requirement, which reads:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that:
 - (i) require such Tier 1 and Tier 2 instruments to be written off upon such event; or
 - (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a).

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier 1 or Tier 2 instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

The Basel III Regulations and the Accompanying Standards (each as defined below) confirm that the Non-Viability Requirement is a pre-requisite for any capital instruments issued by UAE banks to achieve Regulatory Capital classification from the Central Bank. The Non-Viability Requirement must be provided for contractually in the absence of a statutory loss absorption framework in the UAE as at the date of this Prospectus.

In May 2016, the UAE Central Bank published a draft consultation document entitled "Capital Adequacy Regulation" (the **Consultation Document**), detailing the Basel III requirements expected to be followed by banks operating in the UAE once the applicable legislation has been implemented in the UAE. In particular, the Consultation Document outlines the general quantitative requirements expected to be followed by UAE banks with regards to Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (**Regulatory Capital**). It also outlines, amongst other things, the Regulatory Capital ratios that UAE banks will be expected to follow and adhere to, the individual UAE bank minimum capital conservation standards and the required disclosure standards expected to be made available by UAE banks with respect to Regulatory Capital.

On 23 February 2017, UAE Central Bank published the "Regulations re Capital Adequacy" (the **Basel III Regulations**) in the Official Gazette issue 612, which were effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements,

whilst implementing the measures contained in the Consultation Document. The Basel III Regulations are supported by the accompanying standards which were published by the UAE Central Bank on 17 January 2018 in the Circular No. 28/2018 entitled "Standard re Capital Supply" (the **Accompanying Standards**). The Accompanying Standards elaborate on the supervisory expectations of the Central Bank with respect to the relevant Basel III capital adequacy requirements and how they will be applied by the UAE Central Bank to banks in the UAE. Banks which are classified as domestic systemically important banks by the UAE Central Bank will be required to hold additional capital buffers as notified to it by the UAE Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a supervisory review and evaluation process of the UAE Central Bank. These abovementioned buffers are (i) a domestic systemically important bank buffer (**D-SIBB**) of 0.5 per cent. for banks which are determined to be domestic systemically important banks and (ii) a capital conservation buffer of 2.5 per cent. As part of the TESS (COVID-19), banks are able to utilise 100 per cent. of their D-SIBB and 60 per cent. of their capital conservation buffer without supervisory consequences until 31 December 2021. Furthermore, the UAE Central Bank will allow banks to apply a prudential filter to IFRS 9 expected loss provisions, which will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period. The planned implementation of certain Basel III capital standards has been postponed due to the COVID-19 pandemic. The implementation of the Basel III capital standards started in the second quarter of 2021 with the implementation of the standard on credit, market and operational risk. The UAE Central Bank expects to implement the remaining capital standards in the fourth quarter of 2021 and the second quarter of 2022.

The standards on credit risk, market risk, operational risk and other remaining capital standards were initially issued on 7 January 2020 and were supposed to become effective on 30 June 2020 but have been postponed due to COVID-19. The UAE Central Bank decided to implement the remaining capital standards in a phased-in approach instead, starting with the standards on credit market and operational risk, which became effective in the second quarter of 2021. Starting in the fourth quarter of 2021, the standards on Counterparty Credit Risk, Equity Investment in Funds, Securitisations, Leverage Ratio and Pillar 3 (except for Credit Value Adjustment (**CVA**)) will become effective. The standard on CVA and Pillar 3 for CVA will become effective in the second quarter of 2022. This will complete the Basel III implementation in the UAE.

In November 2020, the UAE Central Bank issued the "Regulations re Capital Adequacy" standards (the **November 2020 Regulations**). The following standards of the November 2020 Regulations are effective as of August 2021: Tier Capital Supply, Tier Capital Instruments, Pillar 2 - ICAAP, Credit Risk, Market Risk and Operational Risk.

The UAE Central Bank's Standard Re Tier Capital Instruments dated 29 March 2018 (the **TCI Standard**) requires that a periodic distribution on an additional tier 1 instrument should be cancelled if the relevant UAE bank does not have sufficient "Distributable Items" on the relevant date for payment of (i) such periodic distribution and (ii) certain other payment obligations.

Reserve Requirements

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances. However, as a response to COVID-19 as discussed below, the UAE Central Bank has decreased the reserve requirement to 7 per cent.

Credit Controls

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

The UAE 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, superseding UAE Central Bank notice no. 3871/2012 dated 30 December 2012), 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 UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – seven per cent.;
- to a shareholder of the bank holding more than five per cent. of the bank's capital – seven 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 – five per cent. (25 per cent. for all such exposures in aggregate).

On 11 November 2013, the UAE Central Bank published the Large Exposure Notice amending certain of the large exposure limits set out above. The Large Exposure Notice was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014. The Large Exposure Notice introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the UAE Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

	Individual	New Limit Aggregate	Old Limit Individual	Aggregate
Federal Government and their non-commercial entities	N/A	N/A	Exempt	Exempt
UAE local government and their non-commercial entities	N/A for UAE local government; 25% for each non-commercial entity	100%	Exempt	Exempt
Commercial entities of Federal Government and UAE local government	25%	100%	25%	None
Single borrowers or a group of related borrowers	25% max	N/A	7%	N/A
Shareholders who own 5 per cent. or more of the bank's capital and related entities	20%	50%	7%	None
Exposure to bank's subsidiaries and affiliates.....	10%	25%	20%	60%
Board members	5%	25%	5%	25%

Mortgage Cap

Central Bank notice no. 31/2013 was published in the UAE official gazette on 28 November 2013 and entered into force on 28 December 2013. Notice no. 31/2013 (which supersedes Central Bank notice no. 3871/2012) specifies that the amount of mortgage loans for non-UAE nationals should not exceed 75 per cent. of the property value for the purchase of a first home with a value of less than or equal to AED 5 million and, for the purchase of a first home with a value greater than AED 5 million, the amount of mortgage loans should not exceed 65 per cent. of the property value. For purchases of second and subsequent homes, the limit for non-UAE nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for UAE nationals are set at 80 per cent. in respect of the purchase of a first home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent home purchase (irrespective of the value of the property).

Provisions for Loan Losses

The Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent., respectively, for retail accounts between 90 and 180 days past due and for corporate accounts after the exercising of mature judgment. Any loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write-off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans carried on the balance sheets of UAE banks when compared to banks operating in other economies.

The UAE formally adopted IFRS 9 for reporting periods commencing on 1 January 2018. IFRS 9 replaces the IAS 39 "incurred loss" model and introduced an "expected credit loss" model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. As at 1 January 2018, the initial transitional impact from IAS 39 to IFRS 9 was assessed by each UAE bank. Banks elected to record the initial transitional impact in the consolidated statement of changes in equity, following which the impact has been and will be recorded to each bank's consolidated income statement. Whilst the Central Bank requires banks to assess specific and collective expected credit losses under IFRS 9, it also requires banks to recognise any shortfall in collective and specific provisions, respectively, when compared with 1.5 per cent. of credit risk weighted assets to be appropriated from retained earnings and transferred to non-distributable regulatory credit risk reserves.

On 27 March 2020, the IASB issued a guidance note, advising that both the assessment of a significant increase in credit risk and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken.

In response to COVID-19, the UAE Central Bank has reduced the amount of capital banks have to hold for their loans to SMEs by 15 to 25 per cent. which will facilitate the banking sector's access to financing. This is expected to remain in place until 31 December 2021.

Establishing a Credit Bureau in the UAE

Al Etihad Credit Bureau (**AECB**) is a federal government organisation that collects credit data, information and financial commitments from banks and financial institutions to provide accurate credit reports to individuals, financial institutions and companies in the UAE. AECB was established by the UAE federal government in February 2012. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations in 2014. As at the date of this Base 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.

In June 2018, the Central Bank published its "Risk Management Regulation" and "Risk Management Standards" for UAE banks. The purpose of these regulations and standards is to establish a prudential framework for risk management in banks and to strengthen risk management across the banking sector. The areas covered by these standards are (a) risk management function, (b) risk measurement and use of models, (c) stress testing, (d) information systems, (e) strategic and operational decisions, (f) group risk management, (g) disclosures, and (h) Islamic banking.

UAE Bankruptcy Law

In September 2016, Federal Decree No. 9 of 2016 Concerning Bankruptcy (the **UAE Bankruptcy Law**), was issued to implement new measures containing provisions to safeguard the rights of creditors and debtors. The UAE Bankruptcy Law applies to: (i) corporate and commercial entities; (ii) companies that are wholly or partly owned by the Federal Government or UAE local government; (iii) corporate and commercial entities operating in free zones that are not subject to provisions set out the procedures of composition of bankruptcy or the restructure or bankruptcy in such free zones in compliance with the provisions of Federal Law No. of 2004 on financial free zones; (iv) persons acting in the capacity of a trader; and (v) licensed civil companies. The UAE Bankruptcy Law establishes a permanent committee named the "Committee of Financial Reorganisation", which shall supervise the management of procedures of financial

reorganisation for financial institutions licensed by the relevant regulators, to facilitate mutual agreement between debtors and creditors with the assistance of one or more experts appointed by such committee. The UAE Bankruptcy Law also sets out the procedures of bankruptcy aimed at assisting a debtor to reach reconciliation with his creditors pursuant to a plan of bankruptcy under the supervision of a court and assistance of a justice of the peace appointed in accordance with the provisions of the UAE Bankruptcy Law. The UAE Bankruptcy Law came into effect on 29 December 2016. As the UAE Bankruptcy Law has only recently come into effect, it is not yet clear how the new law and the procedures which it introduces will operate in practice.

Shari'a compliance

The Federal Law No. 14 of 2018 entered into force with effect from 23 September 2018 and requires financial institutions licensed by the UAE Central Bank to operate their business activities in compliance with the rules, standards and general principles established by the Higher *Shari'a* Authority and, in certain circumstances, requires such financial institutions to obtain the consent of the Higher *Shari'a* Authority before undertaking certain licensed financial activities.

COVID-19

In response to the COVID-19 outbreak, effective from 15 March 2020, the Central Bank has implemented the Targeted Economic Support Scheme (**TESS**), which includes a range of measures aimed at mitigating the economic effects of COVID-19 on the UAE economy. The TESS and other accompanying stimulus measures include (in addition to cutting interest rates):

TESS

- allowing banks operating in the UAE access to liquidity, against collateral, extended at zero cost by the Central Bank until 31 December 2020, the proceeds of which are to be used by UAE banks to grant temporary relief to private sector corporate customers and retail clients;
- whilst keeping the existing 2.50 per cent. capital conservation buffer and the D-SIBB in place, allowing banks to utilise 60 per cent. of their capital conservation buffer and 100 per cent. of their D-SIBB without supervisory consequences until 31 December 2021, subject to having fully utilised the limit available under the zero cost facility of the TESS described above;
- allowing banks that are subject to the LCR to fall below the regulatory LCR requirement of 100 per cent., provided that their LCR is higher than or equal to 70 per cent., while other banks that are subject to the ELAR are able to fall below the regulatory ELAR requirement of 10 per cent., provided that their ELAR is higher than or equal to 7 per cent., with such changes to the LCR and ELAR applicable until 31 December 2021, subject to having fully utilised the limit available under the zero cost facility of TESS described above;
- allowing banks that are subject to NSFR to fall below the regulatory NSFR requirement of 100 per cent., provided that their NSFR is higher than or equal to 90 per cent., while other banks are allowed to go above the regulatory ASRR requirement of 100 per cent., provided that their ASRR is lower than or equal to 110 per cent., with such changes to the NSFR and ASRR being applicable until 31 December 2021 for all banks operating in the UAE; and
- expecting banks to leave unchanged and not downgrade the IFRS 9 staging and classification of customers who are receiving temporary relief linked to the TESS and are temporarily and mildly impacted by COVID-19, thereby having no significant impact on their creditworthiness. In the case of customers who are receiving temporary relief linked to the TESS but are expected to be significantly impacted by COVID-19 in the long-term, thereby having a significant impact on their creditworthiness, expecting banks to downgrade such customers to either stage two or stage three in accordance with IFRS 9.

Further measures to support the UAE economy in response to COVID-19

- decreasing the Central Bank's minimum regulatory cash reserve requirement for all current, call and savings deposits from 14 per cent. to 7 per cent.;
- postponing the planned implementation of certain Basel III capital requirements; and
- allowing banks to apply a prudential filter to IFRS 9 expected credit loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024.

TAXATION

The following summary of certain Cayman Islands, United Arab Emirates, United States and European Union tax consequences relating to the Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and/or have retrospective effect, and could affect the tax consequences for holders of the Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of acquiring, holding and disposing of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Base Prospectus, and of any actual changes in applicable tax laws after such date.

General

The following is a general description of certain tax considerations relating to Notes issued under the Programme. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes to be issued under the Programme. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on the Notes to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Notes, nor will gains derived from the disposal of Notes 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 Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has received an undertaking from the Governor in Cabinet of the Cayman Islands pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands that, for a period of 20 years from 12 May 2015, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable: (i) on or in respect of the shares, debentures or other obligations (which includes the Notes) of the Issuer; or (ii) by way of the withholding in whole or part, of any relevant payment (as defined in Section 6(3) of the Tax Concessions Act (As Revised)). Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Notes. However, an instrument transferring title to any Notes, 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 Issuer to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$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

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Notes is based on the taxation law and practice in force at the date of this Base Prospectus and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in the Emirate of Sharjah legislation establishing a general corporate taxation regime (the Sharjah 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 Sharjah taxation in respect of payments of interest or principal on debt securities (including the Notes) or payments under the Deed of Guarantee. In the event of the imposition of any such withholding or deduction, the Issuer or, as the case may be, the Bank has undertaken to gross-up any payments (subject to certain limited exceptions).

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into "double taxation arrangements" with certain other countries.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as **FATCA**, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be and the Bank is a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands and the UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are published generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes 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 Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 20 December 2021 (the **Programme Agreement**), agreed with the Issuer and the Bank a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which, the Bank) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes and the Deed of Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (i) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (ii) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes

which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to above shall require the Issuer, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision: (i) the expression an **offer of Notes to the public** in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and (ii) the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision: (i) the expression **an offer of Notes to the public** in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and (ii) the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) 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 Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Bank; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Winding Up and Miscellaneous Provisions) (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA**) rulebook; and
- (b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make any invitation, whether directly or indirectly, to the public in the Cayman Islands to subscribe for the Notes issued under the Programme.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9 or Article 10 of, or as otherwise required or permitted by, the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia (the **CMA**) resolution number 3-123-2017 dated 27 December 2017, as amended (the **KSA Regulations**), made through a person authorised by the CMA to carry on the securities activity of arranging, in each case, in accordance with the KSA Regulations.

The Notes to be issued under the Programme may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of, or as otherwise required by, the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes made by it to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made in compliance with the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

This Base Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell any Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA in accordance with the conditions specified in Section 275 of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,
- (c) securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;
 - (iv) as specified in Section 276(7) of the SFA; or
 - (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Malaysia

This Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (**CMSA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or delivered, by it and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b), Part I of 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 Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and none of the Issuer, the Bank and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Bank and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Final Terms.

Persons into whose possession this Base Prospectus, any Final Terms or any Notes may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of Notes.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes by the Issuer and its entry into the Programme Agreement, the Agency Agreement and the Deed of Covenant have been duly authorised by resolutions of the Board of Directors of the Issuer dated 16 December 2021.

The update of the Programme, the issue of Notes thereunder and the Bank's entry into the Programme Agreement, the Agency Agreement and the Deed of Guarantee has been duly authorised by a resolution of the Board of Directors of the Bank dated 30 June 2021 and a resolution of the shareholders of the Bank dated 5 August 2021.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Euronext Dublin Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Regulation. Such approval relates only to the Notes which are to be admitted to trading on the Euronext Dublin Regulated Market or any other EEA regulated market. Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and trading on the Euronext Dublin Regulated Market. The approval of the Programme in respect of Notes is expected to be granted on or about 20 December 2021.

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Euronext Dublin Regulated Market for the purposes of the Prospectus Regulation.

Documents Available

For the period of 12 months from the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection at <https://www.bankofsharjah.com/en/aboutus/investor-relations/shareholders/news-disclosure>:

- (a) the Memorandum and Articles of Association (with an English translation thereof if applicable) of each of the Issuer and the Bank;
- (b) the Agency Agreement, the Deed of Guarantee and the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (c) a copy of this Base Prospectus; and
- (d) any future base prospectuses, prospectuses, information memoranda, supplements to and Final Terms related to Notes issued pursuant to this Base Prospectus and any other documents incorporated therein by reference (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or the Paying Agent as to its holding of Notes and identity).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial performance or financial position of the Issuer and no material adverse change in the financial position or prospects of the Issuer, in each case, since the date of its incorporation.

There has been no significant change in the financial performance or financial position of the Bank or the Group since 30 September 2021 and there has been no material adverse change in the prospects of the Bank or the Group since 31 December 2020.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) 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 Issuer.

Neither the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Bank or of the Group.

Auditors

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

The previous auditors of the Bank were KPMG. KPMG have audited the 2019 Financial Statements, without qualification, in accordance with International Standards on Auditing as stated in their audit report incorporated by reference into this Base Prospectus.

The current auditors of the Bank are Deloitte. Deloitte have audited the 2020 Financial Statements, without qualification, in accordance with International Standards on Auditing as stated in their audit report incorporated by reference into this Base Prospectus.

Deloitte have reviewed the 2021 Interim Financial Statements, without qualification, in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" as stated in their review report incorporated by reference into this Base Prospectus.

Dealers transacting with the Issuer and the Bank

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Bank and their respective affiliates in the ordinary course of business for which they may receive fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Bank and their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer, the Bank and their affiliates routinely hedge their credit exposure to the Issuer, the Bank and their affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "affiliates" shall also include parent companies.

Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Act (As Revised) of the Cayman Islands (the **DPA**) on 18 May 2017 which was brought into force on 30 September 2019. The DPA introduces legal requirements for the Issuer based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Notes and the associated interactions with the Issuer and its affiliates and/or delegates, or by virtue of providing the Issuer with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Issuer and its affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPA. The Issuer shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

By investing in the Notes, Noteholders shall be deemed to acknowledge that they have read in detail and understood the Privacy Notice (a copy of which may be requested from the Issuer by email at TreasuryOperations@Bankofsharjah.com) and that such Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Notes.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Issuer could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

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