



## COMMERCIAL BANK OF DUBAI P.S.C.

*(incorporated with limited liability in the Emirate of Dubai, United Arab Emirates)*

and

## CBD (CAYMAN) LIMITED

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

**and in the case of Notes issued by CBD (Cayman) Limited  
unconditionally and irrevocably guaranteed by**

## COMMERCIAL BANK OF DUBAI P.S.C.

*(incorporated with limited liability in the Emirate of Dubai, United Arab Emirates)*

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

### **Euro Medium Term Note Programme**

Under this U.S.\$2,000,000,000 Euro Medium Term Note Programme (the “**Programme**”), CBD (Cayman) Limited (the “**Cayman Issuer**”) and Commercial Bank of Dubai P.S.C. (“**CBD**”, and together with the Cayman Issuer, each an “**Issuer**” and together the “**Issuers**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). The obligations of the Cayman Issuer in respect of Notes issued by it are unconditionally and irrevocably guaranteed by CBD (in such capacity, the “**Guarantor**”). References in this Base Prospectus to the “**Obligors**” are to the Cayman Issuer and CBD, and references to the “**relevant Obligors**” shall be a reference to, in the case of an issue of Notes by CBD, CBD, and in the case of an issue of Notes by the Cayman Issuer, to each of the Cayman Issuer and the Guarantor and “**relevant Obligor**” shall be a reference to either of them, as the context may require.

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.\$2,000,000,000 (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 Obligors (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 by more than one Dealer, be to all Dealers agreeing to subscribe 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 by the Central Bank of Ireland (the “**Central Bank of Ireland**”) as competent authority under the Prospectus Directive (as defined below). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Application will be made to the Irish Stock Exchange 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 (the “**Official List**”) and trading on its regulated market (the “**Main Securities Market**”). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (each such regulated market being a “**MiFID Regulated Market**”) and/or which are to be offered to the public in any member state of the European Economic Area (each a “**Member State**”).

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Main Securities Market and have been admitted to the Official List or, as the case may be, another MiFID Regulated Market.

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, with respect to Notes to be listed on the Irish Stock Exchange, the Irish Stock Exchange.

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 relevant Obligors and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The relevant Obligors 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.

CBD has been assigned long term issuer ratings of Baa1 and A- by Moody's Investors Service Cyprus Ltd. (“**Moody's**”) and Fitch Ratings Ltd (“**Fitch**”), respectively. The Programme has been assigned senior unsecured ratings of (P)Baa1 by Moody's in connection with Notes issued by CBD and (P)Baa1 by Moody's in connection with Notes issued by the Cayman Issuer and A- long-term and F2 short-term by Fitch in connection with Notes issued by CBD and A- long-term and F2 short-term by Fitch in connection with Notes issued by the Cayman Issuer. Each of Moody's and Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). Notes issued under the Programme may be rated or unrated by either of the rating agencies 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 by the relevant rating agency. 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.

**Arranger**  
**HSBC**

**Dealers**

**BANCA IMI**  
**COMMERZBANK**  
**HSBC**  
**J.P. MORGAN**  
**NATIXIS**

**CITIGROUP**  
**DEUTSCHE BANK**  
**ING**  
**NATIONAL BANK OF ABU DHABI P.J.S.C.**  
**STANDARD CHARTERED BANK**

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the “Prospectus Directive”).

The Obligors accept responsibility for the information contained in this Base Prospectus and the relevant Obligors accept responsibility for the Final Terms in respect of each Tranche of Notes issued under the Base Prospectus. To the best of the knowledge of each of the Obligors (having taken all reasonable care to ensure that such is the case) 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.

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

- the Central Bank, in the case of the "*Risk Factors*", the "*Financial Review*" and the "*Description of CBD*";
- the Central Bank, the UAE National Bureau of Statistics, the UAE and Abu Dhabi and Dubai Governments, in the case of "*Overview of the UAE*"; and
- the Central Bank and the International Monetary Fund, in the case of "*The United Arab Emirates Banking Sector and Regulations*".

The Obligors confirm that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Series of Notes, should be read and construed together with the applicable Final Terms.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

Copies of Final Terms will be available from the registered office of CBD and the specified office set out below of each of the Paying Agents (as defined below).

The Dealers have not 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 as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by either Obligor in connection with the Programme. No Dealer accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by either Obligor in connection with the Programme.

No person is or has been authorised by the Obligors 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 either Obligor 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 either Obligor 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 Obligors. 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 Obligors 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 Obligors 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 Dealers expressly do not undertake to review the financial condition or affairs of the Obligors during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and the Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "Subscription and Sale").

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. None of the Obligors or any of the Dealers 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 Obligors 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 European Economic Area (including the United Kingdom and Italy), Japan, Hong Kong, the People's Republic of China (the "PRC"), the Cayman Islands, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre the Kingdom of Saudi Arabia, the Kingdom of Bahrain, Qatar (excluding the Qatar Financial Centre) and Malaysia, see "*Subscription and Sale*".

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or

intending to make an offer of Notes in that Relevant Member State of Notes may only do so in circumstances in which no obligation arises for either Obligor or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Obligors or any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for an Obligor or any Dealer to publish or supplement a prospectus for such offer.

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:

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

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) 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 either Obligor, the Dealers, or the Agents 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.

**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 INFORMATION**

The financial statements relating to CBD and its consolidated subsidiaries which are incorporated by reference into this document are as follows:

- unaudited condensed interim consolidated financial statements as at and for the three month period ended 31 March 2015 (the “**2015 Interim Financial Statements**”);
- audited consolidated financial statements as at and for the financial year ended 31 December 2014 (the “**2014 Financial Statements**”); and
- audited consolidated financial statements as at and for the financial year ended 31 December 2013 including comparative information as at and for the financial year ended December 2012 (the “**2013 Financial Statements**” and, together with the 2014 Financial Statements, the “**Annual Financial Statements**”).

Each of the Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (the “**IASB**”). The 2015 Interim Financial Statements have been prepared in accordance with IAS 34. The Annual Financial Statements have been audited and reviewed in accordance with International Standards on Auditing by Ernst & Young Middle East (Dubai Branch) (“**Ernst & Young**”), independent auditors, as stated in their report incorporated by reference herein. The 2015 Interim Financial Statements have been subject to limited review in accordance with the International Standard of Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity” by Ernst & Young, as stated in their report incorporated by reference herein (see “*Documents Incorporated by Reference*”). Any reference herein to a figure as at or for the three month period ended 31 March 2015 is unaudited.

CBD publishes its financial statements in UAE Dirham.

CBD's financial year ends on 31 December, and references in this Base Prospectus to any specific year are, unless otherwise indicated, to the 12-month period ended on 31 December of such year.

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.

The Cayman Issuer is a special purpose vehicle established in the Cayman Islands as an exempted company with limited liability. The Cayman Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint an auditor.

### **PRESENTATION OF UAE STATISTICAL INFORMATION**

The statistical information in the section entitled “*Overview of the United Arab Emirates*” has been accurately reproduced from a number of different identified sources. All statistical information provided in that section may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. GDP data is not final and may be subject to revision in future periods and certain other historical GDP data set out in that section may also be subject to future adjustment.

## PRESENTATION OF OTHER INFORMATION

In this document, references to:

- “**Group**” are to the Cayman Issuer, CBD and CBD’s consolidated subsidiaries and associates taken as a whole;
- the “**UAE**” are to the United Arab Emirates; and
- the “**GCC**” are to the Gulf Co-operation Council.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning CBD's plans, objectives, goals, strategies and 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*", "*Financial Review*" and "*Description of CBD*" and other sections of this Base Prospectus. CBD has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although CBD believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below or which CBD has otherwise identified in this Base Prospectus, or if any of CBD's underlying assumptions prove to be incomplete or inaccurate, CBD's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors*", "*Financial Review*" "*Description of CBD*" and "*The United Arab Emirates Banking Sector and Regulations*", which include a more detailed description of the factors that might have an impact on CBD's business development and on the industry sector in which CBD operates.

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

These forward-looking statements speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws, each of the Obligors 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 forward-looking statement is based.

All references in this Base Prospectus to *U.S. dollars*, *U.S.\$* and *\$* refer to United States dollars; all references to *Renminbi*, *RMB* or *CNY* are to the lawful currency of the PRC (which, for the purposes of this Base Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and *Taiwan*); and all references to *AED* and *dirham* are to the lawful currency of the United Arab Emirates. The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00. All references to *euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. In addition, all references in this document to Dubai are to the Emirate of Dubai.

## **KINGDOM OF SAUDI ARABIA NOTICE**

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

**The Capital Market Authority does not make any representations as to the accuracy or completeness of this 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 Notes issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser.**

## **CAYMAN ISLANDS NOTICE**

**No invitation whether directly or indirectly may be made to any member of the public of 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 Notes.**

## **BAHRAIN NOTICE**

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

**This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and 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 Notes, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.**

**The CBB has not reviewed, approved or registered the Base Prospectus or 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 the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. No offer of Notes will be made to the public in the Kingdom of 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.**

## **QATARI NOTICE**

**This Base Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar (“Qatar”). The Notes have not been and will not be authorised by the Qatar Financial Markets Authority (“QFMA”), the Qatar Financial Centre (“QFC”) or the Qatar Central Bank (“QCB”) in accordance with their regulations or any other regulations in Qatar. 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. (5) of 2002 (the “Commercial Companies Law”) or otherwise under any laws of Qatar.

#### **MALAYSIA NOTICE**

The Notes may not be offered for subscription or purchase and no invitation to subscribe for or purchase the 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 set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia (“CMSA”).

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

#### **STABILISATION**

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the “Stabilisation Manager(s)”) (or persons acting on behalf of any Stabilisation Manager(s)) 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, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. 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 be ended 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 person(s) acting on behalf of any Stabilisation Managers(s)) in accordance with all applicable laws and rules.

## CONTENTS

	<i>Page</i>
Risk Factors .....	9
Documents Incorporated by Reference .....	28
Overview of the Programme .....	31
Form of the Notes .....	37
Applicable Final Terms .....	40
Terms and Conditions of the Notes .....	51
Use of Proceeds .....	90
Description of the Cayman Issuer .....	91
Description of CBD .....	92
Selected Financial Information .....	121
Financial Review .....	124
Overview of the United Arab Emirates .....	135
The United Arab Emirates Banking Sector and Regulations .....	137
Taxation .....	151
Subscription and Sale .....	155
General Information .....	161

## **RISK FACTORS**

*Each of the Obligors believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme or under the Guarantee. Most of these factors are contingencies that may or may not occur and neither Obligor is in a position to express a view on the likelihood of any such contingency occurring.*

*Factors that the Obligors believe are material for the purpose of assessing the market risks associated with the Notes are described below.*

*Each of the Obligors believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of either Obligor to pay interest, principal or other amounts on or in respect of the Notes may occur for other reasons which may not be considered significant risks by the Obligors based on information currently available to it or which it may not currently be able to anticipate.*

*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.*

### **Factors that may affect the Cayman Issuer's ability to fulfil its obligations under Notes issued by it under the Programme**

The Cayman Issuer is a newly formed entity incorporated under the Companies Law (2013 Revision) in the Cayman Islands as a limited liability company and has no operating history. The Cayman Issuer may not have any income except payments received from CBD in respect of loans, which will be the only material source of funds available to meet the claims of the Noteholders against the Cayman Issuer. As a result, the Cayman Issuer is subject to all the risks to which CBD is subject, to the extent that such risks could limit CBD's ability to satisfy in full and on a timely basis its obligations to the Cayman Issuer under any such loans. As the Cayman Issuer is a Cayman Islands company, it may not be possible for Noteholders to effect service of process outside the Cayman Islands upon the Cayman Issuer or its officers and directors.

### **Factors that may affect CBD's ability to fulfil its obligations under Notes by it under the Programme or its obligations as Guarantor under the Guarantee**

#### **Risks relating to CBD's business**

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

#### ***Credit Risk***

Credit risk is the risk of financial loss to CBD if a customer or counterparty to a financial instrument fails to meet its contractual obligations arising principally from CBD's loans and advances, Islamic financing, amounts due from banks and investment in debt securities.

As at 31 December 2014, impaired loans represented 9 per cent. of CBD's gross loans and advances and Islamic financing (compared with 10 per cent. as at 31 December 2013). Total provisions for impairment covered 94 per cent. of CBD's impaired loans as at 31 December 2014 (compared to 85 per cent. as at 31 December 2013). CBD's impaired and restructured / under restructuring loans were consistent at AED 0.7 billion as at 31 December 2013 and 31 December 2014.

CBD establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. As at 31 December 2014, CBD has AED 3.2 billion of impaired loans and as at 31 December 2014, CBD carried impairment allowances of AED 3.0 billion to cover potential loan losses (compared with impaired loans of AED 3.3 billion and impairment allowances of AED 2.8 billion as at 31 December 2013). In accordance with IFRS, CBD is required to reflect the impairment calculated as a charge to the income statement. However, the actual loan losses could be materially different from the loan impairment allowances. CBD's management believes that the levels of impairment allowances for impaired loans and loans under stress as at 31 December 2014 are sufficient to cover CBD's estimated loan losses as at that date. As at 31 December 2014, provisions cover 94 per cent. of CBD's impaired assets (compared to 85 per cent. as at 31 December 2013). Collateral held as security against impaired loans primarily relates to commercial and residential property and pledged deposits.

CBD has a portfolio of listed available for sale investment securities and there can be no assurance that fair valuations of its investment securities in future periods will not result in other comprehensive losses or impairments recorded in the income statement which could be material. In addition, the value that CBD ultimately realises for its investment securities may be lower than their current fair value, resulting in losses being recorded in its income statement, which losses could be material. Any of these factors could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

Risks arising from adverse changes in the credit quality and recoverability of loans and amounts due from counterparties are inherent in a wide range of CBD's businesses, principally in its lending and investment activities. Credit risks could arise from a deterioration in the credit quality of specific borrowers, issuers and counterparties of CBD, or from a general deterioration in local or global economic conditions, or from systematic risks within the financial systems. Such credit risks could affect the recoverability and value of CBD's assets and require an increase in CBD's provisions for the impairment of loans, securities and other credit exposures. Any significant increase in impairment allowances or a significant change in CBD's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the impairment allowance allocated with respect to such losses, could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

### ***Market Risk***

Market risk is defined as the risk that changes in market prices will affect CBD's income and/or the value of a financial instrument. The most significant market risks to which CBD 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 CBD'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 CBD'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. CBD 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 CBD's financial performance and business operations.

The amounts of gains and losses on debt and equity investments may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of securities, which in turn may vary considerably. CBD's realised gains on sale of trading and available-for-sale investments amounted to AED 75 million and AED 53 million for the years ended 31 December 2014 and 31 December 2013, respectively. CBD's reserve on account of cumulative changes in fair values of available-for-sale investments amounted to AED 70 million and AED 55 million as at 31 December 2014 and 31 December 2013, respectively. CBD cannot predict the amount of realised or unrealised gain or loss for any future period and variations from period to period are not indicative of future performance. Gains in CBD's investment portfolio may not continue to contribute to net income at levels consistent with those recent periods or at all.

Failure to manage market risks effectively could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

### ***Settlement Risk***

Settlement risk is the risk of loss due to the failure of a counterparty to an agreement to honour its obligations to deliver cash, securities or other assets as contractually due. CBD's activities may give rise to risk at the time of settlement of transactions and trades. Failure to manage settlement risk effectively could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

### ***Liquidity Risk***

Liquidity risk is the risk that CBD 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 of the inability to fund assets at appropriate maturities and rates and the ability to liquidate assets at reasonable prices and an appropriate timeframe and an inability to meet obligations as they become due.

An inability on CBD's part to access funds or to access the markets from which it raises funds may put CBD's positions in liquid assets at risk and lead to CBD being unable to finance its operations adequately. A dislocated credit environment compounds the risk that CBD will not be able to access funds at favourable rates. These and other factors could also lead creditors to form a negative view of CBD's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, because CBD receives a significant portion of its funding from deposits, CBD 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, CBD could be unable to raise the cash required to pay the Notes when due. Furthermore, in circumstances where CBD's competitors have ongoing limitations on their access to other sources of funding such as wholesale market derived funding, CBD's access to funds and its cost of funding may also be adversely affected.

In common with other banks in the UAE, many of CBD's liabilities are demand and time deposits, whereas it has medium and long-term assets (such as loans and mortgages). If a substantial portion of CBD's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity or CBD fails to refinance some of its large short- to medium-term borrowings, CBD may need to access more expensive sources to meet its funding requirements. No assurance can be given that CBD 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 CBD's business, results of operations, financial condition and prospects.

### ***Operational Risk***

Operational risk is the risk of loss resulting from inadequate or ineffective internal controls or from external events. CBD faces a risk of losses resulting from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example, those of CBD's counterparties or vendors). Although CBD has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to eliminate entirely each of the operational risks. CBD therefore remains exposed to operational risk that could have a material adverse effect on CBD's business, results of operations, financial condition and prospects. CBD has adopted the Basic Indicator Approach for calculation of the risk charge for operational risk in accordance with the Basel II Accord.

## ***Legal Risk***

Legal risk is the risk of losses occurring due to legal or regulatory action that invalidates or otherwise precludes performance by CBD or any of its counterparties under the terms of contractual agreements. CBD seeks to mitigate this risk through the use of properly reviewed standardised documentation and obtaining appropriate legal advice in relation to its non-standard documentation. CBD is subject to proceedings and adjudications in the UAE. Notwithstanding CBD's reliance on advice from internal and external legal advisors, it is possible that claims, judgments and adjudications could be awarded against CBD and this could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

## ***Loan Portfolio Concentration***

CBD's loan portfolio is concentrated, geographically, in the UAE, where certain sectors (including the real estate sector) and certain regions (including Dubai) have been more significantly affected than others by the global financial crisis that commenced in early 2008. See "*Economic, political and related considerations*".

CBD's loans and advances and Islamic financing constituted 69 per cent. of its total assets, or AED 32 billion, as at 31 December 2014. CBD's loan portfolio is concentrated in particular economic sectors. Of total loans and advances and Islamic financing as at 31 December 2014, 26 per cent. were classified as business and investment sector entities and 24 per cent. as from trade sector entities. The business and investment sector primarily comprises loans provided to high net worth individuals in their personal capacity for deployment in their business and/or for investments.

Almost all of CBD's customer exposures were located in the UAE as at 31 December 2014, with less than 1 per cent. located in other Gulf Co-operation Council ("GCC") countries. CBD's 20 largest customer exposures constituted 33 per cent. of CBD's total funded and non-funded exposures as at 31 December 2014.

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

## ***Competition***

CBD faces competition in all of its business areas from locally incorporated and foreign banks (Islamic banks and conventional banks) operating in the UAE. As at 31 March 2015, there were estimated to be a total of 49 banks licensed to operate in the UAE, of which 23 were UAE incorporated and 26 were foreign (according to the "U.A.E. Monthly Banking Indicators (March 2015)" report issued by the UAE Central Bank).

As at 31 December 2014, CBD had 3 per cent. of UAE market share in terms of loans and advances and 2 per cent. of the UAE market share in terms of customer deposits (source: Central Bank UAE Monthly Banking Indicators).

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 CBD and other domestic financial institutions. For further information on the UAE's membership of the WTO, see "*The United Arab Emirates Banking and Regulation Sector*". In the event of increased competition and / or limited new business opportunities, CBD may face difficulties due to shrinking interest margins. This could have an adverse effect on CBD's business, results of operations,

financial condition and prospects and thereby affect its ability to perform its obligations in respect of any Notes.

### ***Ownership***

The Government of Dubai, through its investment entity the Investment Corporation of Dubai (“ICD”), owns 20 per cent. of the issued share capital of CBD with the remainder owned by nationals of the UAE. There can be no assurance, however, that CBD's shareholders will continue to maintain the existing levels of their ownership of the shares of CBD. CBD may not receive future support from the Dubai or federal governments or it may not receive future support that is commensurate with support it has received in the past.

### ***Dependence on Key Personnel***

Revenues of CBD will depend, in part, on CBD's ability to continue to attract, retain and motivate qualified and skilled personnel. CBD relies on its senior management for the implementation of its strategy and its day-to-day operations. There is competition in the UAE for skilled personnel, especially at the senior management level, due to a low number of available qualified and/or experienced individuals compared to current demand. Although CBD has a long-term service incentive scheme, pursues a policy of succession planning and in the last three years, conducted a "Leadership Program" and other initiatives for its senior and middle managers to identify their potential to move into leadership roles and develop their mentoring and management skills, if it were unable to retain key members of its senior management and/or hire new qualified personnel in a timely manner, this could have a material adverse effect on CBD's business, results of operations, financial condition and prospects. The loss of any member of the senior management team may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives. These adverse results could, among other things, reduce potential revenue, which could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

CBD is guided in its human resources decisions by the UAE Federal Government's recommended policy that companies operating in the UAE recruit UAE nationals representing at least 40 per cent. of their total employees each year. The UAE Federal Government's policy supporting the recruitment of UAE nationals does not set any upper limit at which the policy would no longer be applicable. As at 31 December 2014 UAE nationals represented 41 per cent. of CBD's total workforce. If CBD is not able to meet or exceed the UAE Federal Government's recommended policy for recruiting UAE nationals, it may be subject to legal penalties, including with respect to its current licenses, and it may be prevented from obtaining additional licenses necessary in order to allow it to expand its business.

### ***Information Technology***

CBD relies heavily upon its information technology systems and operations infrastructure to conduct its business. CBD regards these systems as critical to improving productivity and maintaining CBD's competitive edge.

Any failure or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan organisation and/or other important systems. If CBD's information technology systems failed, even for a short period of time, then it could be unable to serve some or all of its customers' needs on a timely basis which could result in loss of business. In addition, a temporary shutdown of CBD's information technology systems could result in costs that are required for information retrieval and verification. CBD has developed business continuity plans, however no assurance can be given that failures or interruptions will not occur or that CBD will be able to address them adequately if they do occur.

The occurrence of any failures or interruptions on CBD's information technology systems and operations infrastructure could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

### ***Risk Management Systems***

Management of standard banking risks requires substantial resources. Although CBD's management believes that CBD's information technology and management information systems, policies and procedures are adequate for the purposes of measuring, monitoring and managing CBD's exposure to credit, liquidity, interest rate, foreign exchange and other market risks in the context of its existing business, as CBD's business continues to grow and develop, CBD's risk profiles are likely to change. Management continually assesses its risk management infrastructure and resources and CBD has made considerable investments in information technology. In the event that CBD's risk management systems are not developed in line with the growth in CBD's business and related shifts in its risk exposures, this could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

CBD's risk management processes may not be fully effective or consistently implemented in mitigating its exposure in all market environments or all types of risk that are unidentified or unanticipated. Some of CBD's methods of managing risk are based upon its use of historical market behaviour and stress scenarios. As evidenced by the global financial crisis, these methods may not always predict future risk exposures which could be significantly higher or lower than historical measures or stress scenarios indicate.

### ***Downgrade in Credit Ratings***

CBD's credit ratings affect the cost and other terms upon which CBD is able to obtain funding. Rating agencies regularly evaluate CBD and their ratings of its long-term debt are based on a number of factors, including capital adequacy levels, quality of earnings, credit exposure, the risk management framework and funding diversification. These parameters and their possible impact on CBD's credit rating are monitored closely and incorporated into its liquidity risk management and contingency planning considerations.

A downgrade or potential downgrade of the UAE rating or a change in rating agency methodologies relating to systemic support provided by the UAE could also negatively affect the perception by rating agencies of CBD's rating.

There can also be no assurance that the rating agencies will maintain CBD's current ratings or outlooks or those of the UAE. A downgrade in CBD's credit rating or the credit rating of the UAE could have a material adverse effect on CBD's business, results of operations, financial condition and prospects. Ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

### ***Anti-money Laundering, Anti-terrorism Financing and Related Regulations***

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



## **Regulatory Risks**

### ***Impact of Regulatory Changes***

CBD is subject to the laws, regulations, administrative actions and policies of the UAE. These regulations may limit CBD's activities and changes in supervision and regulation could have a material adverse effect on CBD's business, the products or services offered, the value of its assets, and its financial condition. Fiscal or other policies which may materially adversely affect CBD's business, the value of its assets and its financial condition cannot be predicted and are beyond the control of CBD.

Although CBD works closely with its regulators and continuously monitors the situation, future changes in regulatory, fiscal or other policies cannot be predicted and are beyond the control of CBD. For example, see “*The United Arab Emirates Banking Sector and Regulations – Capital Management*”.

In November 2013, the Central Bank issued a circular amending certain large exposure limits. The circular also 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 for any single such borrower (see “*The United Arab Emirates Banking Sector and Regulation – Recent trends in Banking – Large Exposures*”). CBD is presently in compliance with these limits.

No assurance can be given that the UAE Government will not implement regulations or fiscal or monetary policies, including policies or new regulations or new legal interpretations of existing regulations relating to or affecting taxation, interest rates or exchange controls or otherwise take actions which could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

## **Risks related to the UAE and the Middle East**

### ***Majority of Business in the UAE***

CBD is a bank, headquartered in Dubai, UAE, which is primarily focused on the financial markets of the UAE. As at 31 December 2014, 94 per cent. of CBD's total assets were located within the UAE, including the majority of its loan assets and CBD derives the majority of its deposits from customers within the UAE. As at 31 December 2014, approximately 89 per cent. of CBD's total liabilities were derived from UAE sources. As CBD has its operations and the majority of its assets located in the UAE, its business is and will continue to be affected by the economic, political and related conditions prevailing from time to time in the UAE and/or the Middle East generally (see “*Economic, Political and Related Considerations*”).

Investors in emerging markets should also be aware that these markets are subject to greater risks than more developed markets, including in some cases significant economic, political and related risks.

### ***Economic, Political and Related Considerations:***

The UAE has enjoyed economic growth and relative political stability in recent years. There can be no assurance that such growth or stability will continue. Moreover, while the UAE Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. Political and economic developments in or affecting the UAE could have a material adverse effect on CBD's business, results of operations, financial condition and prospects.

### ***Economic Developments***

This is particularly so in light of significant adverse financial and economic conditions experienced worldwide commencing in early 2008. Since that time, there has been a slowdown or reversal of the high rates of growth that had been experienced by many countries within the GCC and the UAE, especially in

Dubai. Consequently, certain sectors of the GCC economy such as financial institutions that had benefitted from such high growth rates, could be adversely affected by any future crisis.

In common with other banks in the GCC region, CBD suffered a deterioration in its portfolio, principally manifested in the form of increases in non-performing loan levels, as a result of such adverse economic conditions. However, CBD's impairment allowances on loans and advances and Islamic financing for the year ended 31 December 2014 decreased by 17 per cent. from AED 419 million during 2013 to AED 347 million. (see “*Credit Risk*” and “*Impairment allowances on loans and advances and Islamic financing and recoveries*”). As a consequence of having its operations in the UAE, CBD's operations have been and may in the future be affected by economic developments impacting the UAE, in particular, the level of economic activity.

Whilst the UAE has seen significant economic growth since 2000, there is no assurance that such growth will continue particularly in light of significant adverse financial and economic conditions experienced worldwide which commenced in early 2008. Since then, global credit markets, particularly in the United States and Europe, have experienced difficult conditions of varying intensity. These challenging market conditions have resulted at times in reduced liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets and there has been a slowdown or reversal of the high rates of growth that had been experienced by many countries within the GCC and the UAE. In addition, since late 2008, property and construction markets in the UAE and a number of other countries in the MENA region have been significantly adversely affected. Consequently, certain sectors of the GCC economy, such as real estate, construction and financial institutions, that had benefitted from such a high rate of growth, have been materially adversely affected by the crisis, in particular, due to the volatility of the price of oil. Moreover, while the UAE Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained or that the UAE Government will not implement regulations, fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on CBD's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to make payments in respect of the Notes issued by it under the Programme or its obligations as Guarantor under the Guarantee.

Like many economies in the Middle East and North Africa (“**MENA**”) region, oil and gas and related industries, as well as the prices and production quantities of these commodities, play a prominent role in the UAE economy. Oil prices have however been volatile in recent years and, since mid-2014, have declined significantly. If this decline in prices is sustained, and results in declining economic conditions which negatively impact CBD's borrowers and contractual counterparties, it could have a material adverse effect on the Group. See “—*Loan Portfolio Concentration*”.

### ***Political Developments***

CBD's business may be affected if there are geo-political events that prevent CBD from delivering its services. While the UAE is currently seen as a relatively stable political environment, certain jurisdictions in the Middle East are not and there is no guarantee that the UAE will continue to be so in the future in particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, the Kingdom of Bahrain, Egypt, Libya, the Republic of Iraq (Kurdistan), Syria, Tunisia and the Republic of Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (which is still ongoing in Syria as at the date of this Base Prospectus) and the overthrow of existing leadership and has given rise to increased political uncertainty across the region and, in certain cases, regime changes. CBD does not have operations in any of these countries. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as, or similar to, a war or hostilities, or the impact of such occurrences and no assurance can be given that CBD would be able to sustain its current profit levels if adverse political events or circumstances were to occur. Additionally, during 2014, a group operating in the name of the Islamic State of Iraq, commonly referred to as “**ISIS**”,

“ISIL” or “DAESH”, has been mounting challenges against the governments and the population of Iraq and Syria. Regional governments are privy to the challenges created by ISIS and are working towards strengthening internal security and collaborating with other regional governments in the GCC.

### ***The UAE May Introduce Corporation Tax***

CBD is not currently subject to corporation tax on its earnings within the UAE, although there is no guarantee that this will continue to be the case. Investors should be aware that if CBD becomes subject to corporation tax, this could have a material adverse effect on CBD's business, results of operations, financial condition and prospects, which in turn could affect CBD's ability to perform its obligations in respect of any Notes or its obligations as guarantor under the Guarantee.

### ***There are limitations on the effectiveness of guarantees in the UAE and claims under the Guarantee may be required to be made within a prescribed period***

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 Dubai court were to re-examine the merits of a claim made against the Guarantor for payment under the Guarantee, notwithstanding that the Guarantee is governed by English law, the UAE court may interpret the Guarantee in light of UAE law principles rather than English law principles. In order to enforce a guarantee under the laws of the UAE, the underlying debt obligation for which such guarantee has been granted may need to be proved before the UAE courts. In addition, under the laws of the UAE, 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). The laws of the UAE do not contemplate a guarantee by way of indemnity of the obligations of the debtor by the guarantor and instead contemplate 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 Guarantor for payment under the Guarantee, if the Cayman Issuer's obligation to make payment under its Notes cannot be proven to the satisfaction of the UAE court, the court may conclude that there is no obligation on the Guarantor to make payment in the full amount claimed under the Guarantee. Furthermore, notwithstanding that the Notes and the Guarantee are governed by English law, if a UAE court were to apply UAE law principles when assessing a claim in respect of the Guarantee, the Guarantor may be released from its obligations under the Guarantee if the relevant claim is not made within six months of payment becoming due under the 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. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### ***Notes subject to optional redemption by the Issuer***

An optional redemption feature of Notes is likely to limit their market value. 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.

*The Notes may be redeemed prior to their final maturity date for tax reasons*

If the Issuer becomes obliged to pay any additional amounts in respect of the Notes as provided or referred to in Condition 9 or if the Guarantor is 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 Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation 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, the Issuer may redeem all but not some only of the outstanding Notes of such Tranche in accordance with Condition 8 of the Notes.

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 Notes, the market value of the 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.

*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 8.3). 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 Regulatory Redemption Amount. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

The Basel Committee on Banking Supervision has approved new capital and liquidity standards for credit institutions in response to the recent global financial crisis (the “**Basel III Reforms**”). 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 principal 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 fully to absorb losses before tax payers are exposed to loss.

As at the date of this Base Prospectus, the UAE has not implemented the Basel III Reforms. Although it is expected that the Regulator will issue specific guidelines regarding Basel III, it is not possible to predict the timing or substance of the legislative and rulemaking process. In addition, 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. If the implementation by the UAE of the Basel III Reforms or any other relevant laws, rules or guidelines gives rise to a Regulatory Redemption Event (as defined and more particularly described in Condition 8.3), in respect of the Subordinated Notes, the Subordinated Notes may be redeemed pursuant to Condition 8.3 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*”.

To the extent that the UAE introduces a statutory resolution regime to implement loss absorbency upon the occurrence of a Non-Viability Event, either through the writing off of the principal 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.

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, 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 Basel III Reforms.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then 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. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal 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 relevant Obligors’ obligations under Subordinated Notes and, where relevant, the Guarantee are subordinated and in the event that the relevant Obligor is not solvent at the time of payment, the entitlement of holders of Subordinated Notes to receive any amounts under the Subordinated Notes or, where relevant, the Guarantee could be affected*

The relevant Obligors’ obligations under Subordinated Notes and, where relevant, the Guarantee in respect of the Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Creditors (as defined below).

Payments in respect of Subordinated Notes (whether on account of principal, interest or otherwise) by the relevant Obligors are conditional upon:

- (a) the relevant Obligor being solvent (as defined below) at the time of such payment; and
- (b) the relevant Obligor being capable of making such payment and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank *pari passu* with the Subordinated Notes or, where relevant, the Guarantee in respect of the Subordinated Notes and still being solvent immediately thereafter.

“**Senior Creditors**” means all creditors of the relevant Obligor, (including, in respect of CBD only, depositors of CBD) other than creditors in respect of indebtedness where, by the terms of such indebtedness,

the claims of the holders of that indebtedness rank or are expressed to rank *pari passu* with, or junior to, the claims of the holders of Subordinated Notes; and

“**solvent**” means, in respect of the relevant Obligor, as the case maybe, that (a) it is able to pay its debts as they fall due and (b) its Assets exceed its Liabilities (each as defined in Condition 3.2) (other than its Liabilities to persons who are not Senior Creditors). If any of the relevant Obligors was wound up, liquidated or dissolved (or any other analogous action was taken), the liquidator (or analogous insolvency official) appointed in relation to such Obligor, would apply the assets of such Obligor to satisfy the Senior Creditors. In such a situation, and if the condition as to solvency set out above is not satisfied the holders of the Subordinated Notes shall not be entitled to receive any amounts under the Subordinated Notes or, where relevant, the Guarantee.

### ***Risks relating to Notes denominated in Renminbi***

Set out below is a description of the principal risks which may be relevant to an investor in Notes denominated in Renminbi:

*Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC and this may adversely affect the liquidity of Notes denominated in Renminbi.*

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite a significant reduction by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions under current accounts. These transactions are known as current account items. Participating banks in Hong Kong, Singapore and Taiwan have been permitted to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

On 13 October 2011, Measures on Administration of the Renminbi Settlement in relation to Foreign Direct Investment (the “**PBOC RMB FDI Measures**”) issued by the People's Bank of China (the “**PBOC**”) set out operating procedures for PRC banks to handle Renminbi settlement relating to Renminbi foreign direct investments (“**FDI**”) and borrowing by foreign invested enterprises of offshore Renminbi loans. Under the PBOC RMB FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary.

On 3 December 2013, the Ministry of Commerce of the PRC (“**MOFCOM**”) promulgated the “Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment” (the “**MOFCOM Circular**”), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the “Notice on Issues in relation to Cross-border Renminbi Foreign Direct Investment” promulgated by MOFCOM on 12 October 2011 (the “**2011 MOFCOM Notice**”). Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts for each FDI and specifying “**Renminbi Foreign Direct Investment**” and the amount of capital contribution is required for each FDI. Subject to the existing FDI approval authority between central MOFCOM and its local counterparts, the MOFCOM Circular no longer contains the requirements (which were provided under the 2011 MOFCOM Notice) for central level MOFCOM approvals for investments of RMB300 million or above, or in certain industries, such as financial guarantee, financial leasing, micro-credit, auction, foreign invested investment companies, venture capital and equity investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macro-regulation. Unlike the 2011 MOFCOM notice, the MOFCOM Circular has

also removed the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As the above measures and circulars are still relatively new, how they will be applied in practice still remain subject to the interpretation by the relevant PRC authorities.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border Renminbi remittances in the future or that new PRC regulations 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, the relevant Obligors will need to source Renminbi offshore to finance its obligations under the Notes or under the Guarantee, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Notes denominated in Renminbi and the relevant Obligors' ability to source Renminbi to service such Notes*

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

As of February 2015, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB 972,995 million. As of 31 January 2015, the total amount of Renminbi deposits held by authorised banks and offshore banking units had exceeded RMB310 billion.

While the PBOC has established Renminbi clearing and settlement mechanisms for participating banks in Hong Kong, Singapore and Taiwan through settlement agreements on the clearing of Renminbi business (the “**Settlement Agreements**”) with Bank of China (Hong Kong) Limited in Hong Kong, Industrial and Commercial Bank of China, Singapore Branch in Singapore and Bank of China, Taipei Branch in Taiwan (each, a “**RMB Clearing Bank**”), 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 PBOC. The RMB Clearing Bank only has access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement, for individual customers of up to RMB20,000 per person per day, and for designated business customers relating to Renminbi received in providing their services. The RMB Clearing Bank is not obliged to create a neutral position for participating banks holding open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to neutralise 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 which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of Notes denominated in Renminbi. There is no assurance that the relevant Obligors will be able to source Renminbi outside the PRC to service such Notes on satisfactory terms, if at all.

If the relevant Obligors are unable to source such Renminbi, the relevant Obligors' obligation to make a payment in Renminbi under the terms of the Notes or, where relevant, under the Guarantee may be replaced by an obligation to pay such amount in the Relevant Currency (as defined below) if "**RMB Currency Event**" is specified as being applicable in the applicable Final Terms.

*An investment in Notes denominated in Renminbi is subject to exchange rate risks*

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to Renminbi denominated Notes will be made in Renminbi. 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 Notes denominated in Renminbi in U.S. dollar or other applicable foreign currency terms will decline.

*Payments for Notes denominated in Renminbi will only be made to investors in the manner specified for such Notes in the Conditions*

Investors may be required to provide certificates or 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 Hong Kong. Except in the limited circumstances stipulated in Condition 7.8 (as set out in the RMB provisions below), all payments to investors in respect of Notes denominated in Renminbi will be made solely (i) for so long as such Notes are represented by a Temporary Bearer Global Note, a Permanent Bearer Global Note or a Registered Global Note held with the common depository, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures or those of such alternative clearing system, or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations; the relevant Obligors cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

*Gains on the transfer of Notes denominated in Renminbi may become subject to income taxes under PRC tax laws*

Under the New Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of Notes denominated in Renminbi by holders who are deemed under the New Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the New Enterprise Income Tax Law, a "**non-resident enterprise**" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes denominated in Renminbi minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of such Notes.



If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of Notes denominated in Renminbi, the value of the relevant Noteholder's investment in such Notes may be materially and adversely affected.

### ***Risks related to Notes generally***

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

#### ***Modification***

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

#### ***EU Savings Directive***

Under Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the “**EU Savings Directive**”), each member state is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain entities (as described in Article 4.2 of the EU Savings Directive, each a “**Residual Entity**”) established in that other member state; however for a transitional period, Austria may instead apply a withholding system in relation to such payments. The end of this transitional period depends on the conclusion of certain other agreements relating to exchange of information with certain other countries.

A number of non EU countries, including Switzerland, (“**Third Countries**”) and certain dependent or associated territories of certain member states (“**Dependent and Associated Territories**”) have adopted similar measures (either provision of information or transitional withholding) in relation to payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or Residual Entities established in another member state, or certain Third Countries or Dependent and Associated Territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described above. Member states have until 1 January 2016 to adopt national legislation to comply with the Amending Directive (and such national legislation must apply from 1 January 2017). The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of “interest payment” to cover income that is equivalent to interest.

The EU Savings Directive may, however, be repealed in due course in order to avoid overlap with the amended Council Directive 2011/16/EU on administrative cooperation in the field of taxation, pursuant to which member states will be required to apply other new measures on mandatory automatic exchange of information from 1 January 2016.

#### ***Foreign Account Tax Compliance withholding may affect payments on the Notes***

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) “**foreign passthru payments**” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The relevant Obligor's obligations under the Notes and, where relevant, under the Guarantee are discharged once it has paid the clearing systems (as bearer or registered holder of the Notes) and the relevant Obligor has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

#### *Change of law*

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

#### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such 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 an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

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

#### *Trading 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 relevant Obligor will discharge its payment obligation under the Notes or, where relevant, under the Guarantee 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 relevant Obligor 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:

*The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market 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. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

*Exchange rate risks and exchange controls*

The relevant Obligors will pay principal and interest on the Notes or, where relevant, under the 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 (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency equivalent value of the principal payable on the Notes and (c) 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 relevant Obligors to make payments in respect of the Notes or, where relevant, under the Guarantee. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

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 may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the relevant Obligors 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 or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to

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

## **General**

### ***Enforcing arbitration awards and foreign judgments in Dubai***

Under the Conditions of the Notes, any dispute arising from the Notes may be referred to arbitration in Paris under the rules of arbitration of the LCIA (formerly known as the London Court of International Arbitration). The New York Convention on the Recognition and Enforcement of Arbitral Awards 1958 (the “**New York Convention**”) entered into force in the UAE on 19 November 2006. Any arbitration award rendered in Paris should therefore be enforceable in Dubai in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Dubai courts found that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. It should be noted that only the Dubai Court of Cassation was a final decision. The uncertainty regarding the interpretation and application of the New York Convention provisions by the courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Dubai courts will take the same approach in similar proceedings in the future.

Additionally, the UAE and France signed a bilateral convention for the mutual enforcement of arbitration awards in 1991, which was ratified by the UAE in 1992. The provisions of the New York Convention are stated not to affect the validity of any bilateral enforcement convention, nor to deprive a party of any right they may have under such a convention. The UAE courts should therefore give precedence to the provisions of the bilateral enforcement treaty over the provisions of the New York Convention, but this has yet to be tested in the UAE. Any arbitration award rendered in Paris should therefore be enforceable in the UAE in accordance with the terms of the bilateral convention. The bilateral enforcement treaty between the UAE and France contains broadly similar conditions for enforcement to those under the New York Convention, i.e. UAE courts should recognise and enforce French arbitration awards if the other requirements of the bilateral convention between the UAE and France are met.

Under the Conditions, any dispute relating to the Notes may also be referred to the courts in England or the Courts in the Dubai International Financial Centre (the “**DIFC**”).

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

Dubai Law no. 16 of 2011 on Amending Some Provisions of Law No. 12 of 2004 Concerning the Dubai International Financial Centre Courts (“**Law No. 16 of 2011**”) came into force in Dubai on 31 October 2011 and extended the jurisdiction of the DIFC courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed to submit to the jurisdiction of the DIFC courts, even where such parties are unconnected to the DIFC. Under Article 7 of Law No. 16 of 2011, any final and unappealable judgment, order or award made by the DIFC courts must, upon application to the Dubai Court of Execution, be enforced without that court being able to reconsider the merits of the case. As a result, and as any dispute under the Conditions may also be referred to the DIFC courts as aforesaid, the DIFC courts should recognise the choice of English law as the governing law of the Notes, and any final and unappealable judgment of the DIFC courts in connection therewith should be enforced by the Dubai courts without reconsidering the merits of the case. Investors should note however that, as at the date of this Base Prospectus, Law No. 16 of 2011 remains relatively new and largely untested and there is therefore no certainty as to how the DIFC courts intend to exercise their jurisdiction under the law should any party dispute the right of the DIFC courts to hear a particular dispute where any party is unconnected to the DIFC, nor is there any certainty that the Dubai Courts of Execution will enforce the judgement of the DIFC court without reconsidering the merits of the case.

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

***Article 180 of the Commercial Companies Law of the UAE (Federal Law No. 8 of 1984)***

Under Article 180 (“**Article 180**”) of the Commercial Companies Law of the UAE (Federal Law No. 8 of 1984) (the “**CCL**”), CBD may not issue Notes if the sum of the aggregate nominal amount of (i) such Notes and (ii) of all other debt securities (including other Notes issued under the Programme) of CBD outstanding on the proposed issue date of such Notes will exceed CBD’s “available capital” as shown in its latest approved financial statements (which CBD believes is a reference to its latest published consolidated financial statements) unless certain exceptions referred to in Article 180 apply (which is not the case in respect of the Programme). Although the term “available capital” is not defined for the purposes of the CCL, it is possible that the UAE’s Securities and Commodities Authority, the regulatory body responsible for regulating public joint stock companies in the UAE, or a UAE court may determine that the term “available capital” in Article 180 is a reference to an issuer’s share capital as shown in its latest approved financial statements. CBD’s share capital as shown in its 2015 Interim Financial Statements for the three months ended 31 March 2015 is AED 2,802,733,968 (equivalent to approximately U.S.\$763,167,861 as at the date of this Base Prospectus) (both share capital figures are unaudited). CBD issued Notes under the Programme in an aggregate nominal amount of U.S.\$500,000,000 on 21 May 2013 which remain outstanding as at the date of this Base Prospectus. As at the date of this Base Prospectus, CBD has not issued any other debt securities, whether under the Programme or otherwise. If CBD were to issue Notes in contravention of the provisions of Article 180, a UAE court is likely to declare that the issuance of such Notes is void and thus unenforceable as a matter of UAE law. In such circumstances, the court would likely require that CBD return to the Noteholders the proceeds of issuance of the relevant Notes, less any amounts already paid to the Noteholders (whether in the form of interest or otherwise) by CBD, and may appoint an expert to determine the amount of damages (if any) to which the Noteholders would be entitled. The Federal National Council has approved a new UAE Commercial Companies Law (Law No.2 of 2015) (the “**New UAE Commercial Companies Law**”), which was published in the UAE Federal Official Gazette, Issue 577 (March 2015) and will come into force on 1 July 2015. Following the coming into force of the New UAE Commercial Companies Law, the risks described in this paragraph in respect of Article 180 will no longer be applicable.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Base Prospectus:

- (a) the independent auditors' report and audited consolidated annual financial statements as at and for the year ended 31 December 2013 of CBD including the information set out at the following pages in particular:

Report of the independent auditors .....	Page 2
Consolidated statement of financial position .....	Page 3
Consolidated income statement .....	Page 4
Consolidated statement of comprehensive income .....	Page 5
Consolidated statement of changes in equity.....	Page 6
Consolidated statement of cash flows.....	Page 7
Notes to the consolidated financial statements.....	Pages 8 to 82

the independent auditors' report and audited consolidated annual financial statements as at and for the year ended 31 December 2014 of CBD including the information set out at the following pages in particular:

Report of the independent auditors.....	Pages 1 to 2
Consolidated statement of financial position.....	Page 3
Consolidated income statement .....	Page 4
Consolidated statement of comprehensive income.....	Page 5
Consolidated statement of changes in equity.....	Page 6
Consolidated statement of cash flows.....	Page 7
Notes to the consolidated financial statements.....	Pages 8 to 83

the independent auditors' report and unaudited condensed consolidated interim financial statements for the three month period ended 31 March 2015 of CBD including the information set out at the following pages in particular:

Independent auditors' report on review of consolidated interim financial information .....	Page 1
Consolidated interim statement of financial position .....	Page 2
Consolidated interim income statement .....	Page 3
Consolidated interim statement of comprehensive income .....	Page 4
Consolidated interim statement of changes in equity .....	Page 5
Consolidated interim statement of cash flows .....	Page 6
Notes to the condensed consolidated interim financial statements .....	Pages 7 to 21

All the information incorporated by reference in this sub-paragraph (a) can be found at <http://www.cbd.ae/cbd/Financial-Highlights.aspx>.

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

- (b) the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 2 May 2013, pages 43 to 77 (inclusive) prepared by CBD in connection with the Programme (which can be found at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_8cf9b404-58d3-4611-8553-af5e8fd82ac2.PDF?v=842015](http://www.ise.ie/debt_documents/Base%20Prospectus_8cf9b404-58d3-4611-8553-af5e8fd82ac2.PDF?v=842015)).

Following the publication of this Base Prospectus a supplement may be prepared by the Issuers and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. 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.

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

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

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

The Issuers will, in the event of any significant new factor, material mistake or 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. Any decision by any investor 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 relevant Obligors 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 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (the “**Prospectus Regulation**”).

Words and expressions defined in “*Form of the Notes*”, “*Terms and Conditions of the Notes*”, “*Description of the Cayman Issuer*” and “*Description of CBD*” shall have the same meanings in this overview.

**Issuers:** CBD (Cayman) Limited (the “**Cayman Issuer**”) Commercial Bank of Dubai P.S.C. (“**CBD**”)

**Guarantor in respect of Notes issued by CBD (Cayman) limited:** Commercial Bank of Dubai P.S.C.

**Risk Factors:** There are certain factors that may affect the Cayman Issuer’s ability to fulfil its obligations under Notes issued by it under the Programme and CBD’s ability to fulfil its obligations under the Notes issued by it and the Guarantee. These are set out under “*Risk Factors*”. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “*Risk Factors*” and include certain risks relating to the structure of particular Series of Notes and certain market risks.

**Description:** Euro Medium Term Note Programme.

**Arranger:** HSBC Bank plc.

**Dealers:** Banca IMI S.p.A.  
Citigroup Global Markets Limited  
Commerzbank Aktiengesellschaft  
Deutsche Bank AG, London Branch  
HSBC Bank plc  
ING Bank N.V.  
J.P. Morgan Securities plc  
National Bank of Abu Dhabi P.J.S.C.  
NATIXIS  
Standard Chartered Bank

and any other Dealers appointed in accordance with the Programme Agreement.

<b>Certain Restrictions:</b>	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> ”) including the following restrictions applicable at the date of this Base Prospectus.
	<b>Notes having a maturity of less than one year</b>
	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 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> ”.
<b>Issuing and Principal Paying Agent:</b>	Citibank N.A., London Branch.
<b>Registrar:</b>	Citigroup Global Markets Deutschland AG
<b>Programme Size:</b>	Up to U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Obligors may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non- syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Obligors and the relevant Dealer.
<b>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
<b>Maturities:</b>	The Notes will have such maturities as may be agreed between the relevant Obligors 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 relevant Obligors or the relevant Specified Currency.
<b>Issue Price:</b>	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.
<b>Form of Notes:</b>	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable

for Bearer Notes and *vice versa*.

**Fixed Rate Notes:**

Fixed interest will be payable on such date or dates as may be agreed between the relevant Obligors 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 relevant Obligors and the relevant Dealer.

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (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 the reference rate set out in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the relevant Obligors and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the relevant Obligors 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 relevant Obligors and the relevant Dealer.

**Reset Notes:**

Reset Notes will bear interest:

- (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 Principle Paying Agent on the relevant Reset Determination Date in accordance with Condition 6.3(a),

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

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their

nominal amount and will not bear interest.

**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 relevant Obligors, 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 relevant Obligors and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “*Certain Restrictions – Notes having a maturity of less than one year*” above.

**Denomination of Notes:**

The Notes will be issued in such denominations as may be agreed between the relevant Obligors and the relevant Dealer 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, see “*Certain Restrictions – Notes having a maturity of less than one year*” above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Taxation:**

All payments in respect of the Notes and the Guarantee will be made without withholding or deduction for or on account of taxes imposed by any Tax Jurisdiction, as provided in Condition 9. In the event that any such withholding or deduction is made, the relevant Obligors will, save in certain limited circumstances provided in Condition 9, 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 11.

**Status of the Senior Notes:**

The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

**Status of the Guarantee in respect of the Senior Notes issued by the Cayman Issuer:**

The obligations of the Guarantor under the Guarantee in respect of Senior Notes issued by the Cayman Issuer will be direct, unconditional, unsubordinated and (subject to the

provisions of Condition 4) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

**Status and subordination of the Subordinated Notes:**

Payments in respect of the Subordinated Notes will be subordinated as described in Condition 3.2.

**Status of the Guarantee in respect of the Subordinated Notes issued by the Cayman Issuer:**

The Guarantee in respect of the Subordinated Notes issued by the Cayman Issuer is a direct, unsecured and subordinated obligation of the Guarantor. The rights and claims of the Noteholders against the Guarantor under the Guarantee in respect of the Subordinated Notes issued by the Cayman Issuer will be subordinated as described in Condition 3.4.

**Rating:**

The Programme has been assigned senior unsecured ratings of (P)Baa1 by Moody's in connection with Notes issued by CBD and (P)Baa1 by Moody's in connection with Notes issued by the Cayman Issuer and A- long-term and F2 short-term by Fitch in connection with Notes issued by CBD and A- long-term and F2 short-term by Fitch in connection with Notes issued by the Cayman Issuer. 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 the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and for such Notes to be admitted to trading on the Main Securities 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 relevant Obligors 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:**

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

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Italy), Japan, Hong Kong, the PRC (excluding the Hong Kong Special Administrative Region of the

PRC, the Macau Special Administrative Region of the PRC and Taiwan), the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Cayman Islands, the Kingdom of Bahrain, Qatar (excluding the Qatar Financial Centre), 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. Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”).

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially issued in the form of a temporary bearer global note (a “**Temporary Bearer Global Note**”) or, if so specified in the applicable Final Terms, a permanent bearer global note (a “**Permanent Bearer Global Note**”) 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 Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**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 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, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified 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 either (a) upon notice or (b) only upon an Exchange Event. Such designations mean that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either, in the case of (a) above, not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or, in the case of (b) above, only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default (as defined in Condition 11) 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. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (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 and definitive Bearer Notes which have an original maturity of more than one year 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 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 the Common Depositary and registered in the name of its nominee. 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 Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes. None of the relevant Obligors, any Paying Agent or the Registrar 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.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (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 (as defined under “*Terms and Conditions of the Notes*”), 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 relevant Obligors and their 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 relevant Obligors and their agents 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.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. 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 the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, 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 17 June 2015 and executed by each of the Issuers.

## 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.*

[Date]

**[CBD (CAYMAN) LIMITED]/[COMMERCIAL BANK OF DUBAI P.S.C.]**

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

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

**Euro Medium Term Note Programme**

**[Unconditionally and irrevocably guaranteed by**

**Commercial Bank of Dubai P.S.C.]**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 17 June 2015 [and the supplements] to it dated [insert date] [and [insert date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) as amended (which includes the amendments made by the Directive 2010/73/EU (the “**Prospectus Directive**”). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]]<sup>1</sup>. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [, any supplements thereto] and these Final Terms are available for viewing at the registered office of Commercial Bank of Dubai P.S.C. at A1 Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates during normal business hours and copies may be obtained from those offices. The Base Prospectus [, any supplements thereto] and these Final Terms have been published on the Central Bank of Ireland’s website.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date. N.B. when using a post – 1 July 2012 approved Base Prospectus to tap a previous issue under a pre – 1 July 2012 approved Base Prospectus, the final terms in the post – 1 July 2012 Base Prospectus will take a different form due to the more restrictive approach to final terms. The Conditions of the original issue being tapped should be reviewed to ensure that they would not require the final terms documenting the further issue to include information which is no longer permitted in final terms. Where the final terms documenting the further issue would need to include such information, it will not be possible to tap using final terms and a drawdown prospectus (incorporating the original Conditions and final terms) will instead need to be prepared.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [original date] which are incorporated by reference in the Base Prospectus dated [current date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Base Prospectus**”), including the Conditions incorporated by reference in the Base

---

<sup>1</sup> Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [, any supplements thereto] and these Final Terms have been published on the Central Bank of Ireland's website.

*[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. Italics denote directions for completing the Final Terms.]*

*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*

1. (a) Issuer: [CBD (Cayman) Limited]/[Commercial Bank of Dubai P.S.C.]
- (b) Guarantor: [N/A]/[Commercial Bank of Dubai P.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 Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (a) Series: [ ]
  - (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [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)*

*(Note - For an issue in bearer form, where multiple denominations above €100,000 or equivalent 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 European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [€100,000] minimum denomination is not required.)*

- (b) Calculation Amount: [ ]
- (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]]
9. Interest Basis: [[ ] per cent. Fixed Rate]
- [[[ ] month  
LIBOR/EURIBOR/EIBOR/LIBID/LIMEAN/  
SHIBOR/HIBOR/CNH HIBOR/ TRLIBOR or  
TRYLIBOR/SIBOR/KLIBOR/TIBOR/SAIBOR/  
BBSW/AUD LIBOR/JPY LIBOR/PRIBOR] +/- [ ]  
per cent. Floating Rate]
- [Zero Coupon]
- (see paragraph [15][17][18] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11. Change of Interest Basis: [Specify the date when any fixed to floating rate change occurs cross refer to paragraphs 14 and 15 below and identify there] [Not Applicable]
12. Put/Call Options: [Investor Put]
- [Issuer Call]
- [Regulatory Call] [only applicable to Subordinated Notes]

- [(see paragraphs [18] [19] below)]
13. (a) Status of the Notes: [Senior/Subordinated] Notes
- [(b)] Status of the Guarantee: [Senior/Subordinated]
- [(c)] [Date [Board] approval for issuance of Notes and Guarantee obtained: [ ] [and [ ], respectively]] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related 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
- (b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]  
*(Applicable to Notes in definitive form)*
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year] [Not Applicable]
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such 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]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ]
- (f) Screen Rate Determination:
- Reference Rate: [ ] month [LIBOR/EURIBOR/EIBOR/LIBID/LIMEAN/SHIBOR/HIBOR/CNH HIBOR/TRLIBOR or TRYLIBOR/SIBOR/KLIBOR/TIBOR/SAIBOR/BBSW/AUD LIBOR/JPY LIBOR/PRIBOR]
  - Interest Determination Date(s): [ ]  
  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR and second Dubai business day prior to the start of each Interest Period if EIBOR)*
  - Relevant Screen Page: [ ]  
  
*(In the case of EURIBOR, if not Reuters EURIBORO1 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 rate.)*
  - Relevant Financial Centre: [ ]
  - Relevant Time: [ ]
- (g) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]  
  
*(In the case of a LIBOR, EURIBOR or EIBOR based option, the first day of the Interest Period)*

- (h) Linear Interpolation: [Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (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)  
  
(See Condition 6 for alternatives)
16. Reset Note Provisions: [Applicable/Not Applicable]
- (a) Initial Rate of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] [and [ ]] in each year [up to and including the Maturity Date]
- (c) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (d) Determination Date(s): [[ ] in each year/Not Applicable]
- (e) Reset Date(s): [ ]
- (f) Subsequent Reset Reference Rate(s) and Relevant Finance Centre: Subsequent Reset Reference Rate: [Mid Swaps/Reference Bond]  
Relevant Financial Centre: [ ]
- (g) Reset Margin: [ ]
- (h) Subsequent Reset Rate Screen Page: [ ]
- (i) Mid Swap Maturity: [ ]
- (j) Reset Determination Date: [ ]
- (k) Subsequent Reset Rate Time: [ ]
17. Zero Coupon Note Provisions [Applicable/Not Applicable]  
  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [ ] per cent. per annum

- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

## PROVISIONS RELATING TO REDEMPTION

18. Notice periods for Condition 8.2: Minimum period: [ ] days<sup>2</sup>  
Maximum period: [ ] days
19. Notice periods for Condition 8.3: Minimum period: [ ] days<sup>2</sup>  
Maximum period: [ ] days
20. 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: [ ] days  
Maximum period: [ ] 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)*
21. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

---

<sup>2</sup> 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.



- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount]
- (c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] 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 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)*

22. Final Redemption Amount [[ ] per Calculation Amount]
23. Early Redemption Amount payable on redemption for taxation reasons, regulatory reasons or on event of default: [ ] per Calculation Amount

#### **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 Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]
- [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/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 exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes)*

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. Redenomination applicable: Redenomination [not] applicable  
*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
28. RMB Currency Event: [Applicable/Not Applicable]
29. Relevant Currency for Condition 7.8: [ ] [Not Applicable]
30. Relevant Spot Rate Screen Pages for Condition 7.8: (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 7.8: [give name (the “**Calculation Agent**”)] [Not Applicable]

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor]

By: .....

By: .....

*Duly authorised*

*Duly authorised]*

## PART B - OTHER INFORMATION

### 1 LISTING AND ADMISSION TO TRADING:

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market (for example, the Irish Stock Exchange's Main Securities Market) and, if relevant, listing on an official list (for example, the Official List of the Irish Stock Exchange)]* with effect from [ ].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market (for example, the Irish Stock Exchange's Main Securities Market) and, if relevant, listing on an official list (for example, the Official List of the Irish Stock Exchange)]* with effect from [ ].]
- [Not Applicable.]
- (b) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: [The Notes to be issued *[[have been]/[are expected to be]]* rated] *[insert details]* by *[insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms]*.
- Each of *[insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”)
- A rating is not a recommendation by any rating organisation to buy, sell or hold Notes and maybe subject to revision or withdrawal at any time by the assigning rating organisation.
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

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

[Save for any fees payable to the [Managers/Dealer], so far as the Issuer [and the Guarantor] [is/are] aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealer] and [their/its] 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 Guarantor] and [its/their] affiliates in the ordinary course of business for which they may receive fees - *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

**4. YIELD** (*Fixed Rate Notes Only*) [ ]  
**INDICATION OF YIELD:**

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**5. HISTORIC INTEREST RATES** (*Floating Rate Notes only*)

Details of historic [*LIBOR/EURIBOR/EIBOR*] rates can be obtained from [Reuters].

**6. OPERATIONAL INFORMATION**

- (a) ISIN Code: [ ]
- (b) Common Code: [[ ]]
- (c) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give *name(s), address(es) and number(s)*]
- (d) Delivery: Delivery [against/free of] payment
- (e) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (f) Deemed delivery of clearing system notices for the purposes of Condition 15: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.

**7. DISTRIBUTION**

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/give *names*]
- (c) Date of [Subscription] Agreement: [ ]
- (d) If non-syndicated, name of relevant Dealer: [Not Applicable/give *name*]
- (e) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]]

## TERMS AND CONDITIONS OF THE NOTES

*The following, save for the paragraphs in italics, are the Terms and Conditions of the Notes which 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 if the Issuer is CBD (Cayman) Limited, the Guarantor 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 “Form of the Notes” 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 the issuer (the “**Issuer**”) named in the applicable Final Terms (as defined below) 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 (the “**Agency Agreement**”, which expression includes the same as it may be amended, supplemented or restated from time to time) dated 17 June 2015 and made between CBD (Cayman) Limited (the “**Cayman Issuer**”) as an issuer, Commercial Bank of Dubai P.S.C. (“**CBD**”) as an issuer and as guarantor of Notes issued by the Cayman Issuer (CBD in such capacity, the “**Guarantor**”), Citibank N.A., London Branch as issuing and principal paying agent and agent bank (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), Citigroup Global Markets Deutschland AG 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 Notes in bearer form 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 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.

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.

If the Issuer is the Cayman Issuer, the payment of all amounts in respect of this Note have been guaranteed by the Guarantor pursuant to a Deed of Guarantee (such deed of guarantee as modified and/or supplemented and/or restated from time to time) (the “**Guarantee**”) dated 17 June 2015 and executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders and the Couponholders at its specified office.

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 17 June 2015 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 Guarantee and the Deed of Covenant are available for inspection 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 and the Registrar being together referred to as the “**Agents**”). Copies of the applicable Final Terms are available for viewing at the registered office of Commercial Bank of Dubai P.S.C. at Al Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates 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 nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC) (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member state of the European Economic Area), 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 Paying 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 Guarantee, 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, the Guarantee and the Deed of Covenant.

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.

In the Conditions, “**euro**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## **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 denominations (the “**Specified Denomination(s)**”) specified in the applicable Final Terms. 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 or a Zero Coupon Note, a Reset 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 depending upon the Status 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 Guarantor 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, *société anonyme* (“**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 Guarantor 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, as the case may be, shall be treated by the Issuer, the Guarantor 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.

## **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 (a) the holder or holders must (i) 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, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 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 8, 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 GUARANTEE**

## **3.1 Status of the Senior Notes**

The Senior Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

## **3.2 Status of the Guarantee in respect of the Senior Notes**

This Condition 3.2 only applies to Senior Notes issued by the Cayman Issuer.

The obligations of the Guarantor under the Guarantee in respect of the Senior Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor (and save for certain obligations required to be preferred by law)



rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

### 3.3 Status of the Subordinated Notes

The Subordinated Notes and any relative Coupons are direct, conditional as described below and unsecured obligations of the Issuer and rank *pari passu* among themselves.

The payment obligations of the Issuer in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) will be subordinated to all unsubordinated payment obligations of the Issuer in the manner described below but will rank *pari passu* with all other subordinated payment obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the payment obligations under the Subordinated Notes and in priority to all claims of shareholders of the Issuer. The rights of the holders of Subordinated Notes against the Issuer are subordinated in right of payment to the claims of all Senior Creditors of the Issuer and accordingly payments in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) by the Issuer are conditional upon the Issuer being solvent at the time of such payment and no payment shall be payable by the Issuer in respect of the Subordinated Notes except to the extent that the Issuer could make such payment and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank *pari passu* with the Subordinated Notes and still be solvent immediately thereafter.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note. No collateral is or will be given for the payment obligations under the Subordinated Notes and any collateral that may have been or may in the future be given in connection with other indebtedness of the Issuer shall not secure the Issuer's payment obligations under the Subordinated Notes.

For this purpose and as used in these Conditions:

**"Assets"** shall mean the unconsolidated gross assets of the Issuer or the Guarantor, as applicable, as shown in the latest published audited balance sheet of the Issuer or the Guarantor, as applicable, but adjusted for subsequent events in such manner as the directors of the Issuer or the Guarantor, as applicable, the auditors of the Issuer or the Guarantor, as applicable, or (if a liquidator (or analogous insolvency official) has been appointed in respect of the Issuer or the Guarantor, as applicable,) a liquidator (or such analogous insolvency official) may determine;

**"Liabilities"** shall mean the unconsolidated gross liabilities of the Issuer or the Guarantor, as applicable, as shown in the latest published audited balance sheet of the Issuer or the Guarantor, as applicable, but adjusted for contingent liabilities and for subsequent events in such manner as the directors of the Issuer or the Guarantor, as applicable, the auditors of the Issuer or the Guarantor, as applicable, or (if a liquidator (or any analogous insolvency official) has been appointed in respect of the Issuer or the Guarantor, as applicable) a liquidator (or such analogous insolvency official) may determine;

**"Senior Creditors"** shall mean creditors of the Issuer or the Guarantor (including, in respect of CBD only, depositors of CBD), as applicable, other than creditors in respect of indebtedness where, by the terms of such indebtedness, the claims of the holders of that indebtedness rank or are expressed to rank *pari passu* with, or junior to, the claims of the holders of the Subordinated Notes; and

**"solvent"** shall mean, in respect of the Issuer or the Guarantor, as applicable, that (a) it is able to pay its debts as they fall due and (b) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors).

### 3.4 Status of the Guarantee in respect of the Subordinated Notes

This Condition 3.4 only applies to Subordinated Notes issued by the Cayman Issuer.

The obligations of the Guarantor in respect of the Subordinated Notes under the Guarantee are direct, unsecured and subordinated obligations of the Guarantor.

The payment obligations of the Guarantor in respect of the Subordinated Notes under the Guarantee (whether on account of principal, interest or otherwise) will be subordinated to all unsubordinated payment obligations of the Guarantor in the manner described below but will rank *pari passu* with all other subordinated payment obligations of the Guarantor which do not rank or are not expressed by their terms to rank junior to the payment obligations of the Guarantor in respect of the Subordinated Notes under the Guarantee and in priority to all claims of shareholders of the Guarantor. The rights of the holders of Subordinated Notes against the Guarantor are subordinated in right of payment to the claims of all Senior Creditors of the Guarantor and accordingly payments under the Guarantee by the Guarantor in respect of the Subordinated Notes (whether on account of principal, interest or otherwise) are conditional upon the Guarantor being solvent at the time of such payment and no payment shall be payable by the Guarantor in respect of the Subordinated Notes under the Guarantee except to the extent that the Guarantor could make such payment and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank *pari passu* with the Guarantor's obligations under the Guarantee in respect of the Subordinated Notes and still be solvent immediately thereafter.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Guarantee. No collateral is or will be given for the payment obligations of the Guarantor in respect of the Subordinated Notes under the Guarantee and any collateral that may have been or may in the future be given in connection with other indebtedness of the Guarantor shall not secure the Guarantor's payment obligations in respect of the Subordinated Notes under the Guarantee.

## 4. 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 Guarantor (if applicable) will create or have outstanding and will procure that no Subsidiary will create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or any Sukuk Obligation (each as defined below), other than a Permitted Security Interest, unless the Issuer or the Guarantor (if applicable), 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 or the Guarantee (as applicable) are secured by the Security Interest equally and rateably with the Relevant Indebtedness or Sukuk Obligation; 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.

For the purposes of these Conditions:

"**Permitted Security Interest**" means any Security Interest granted to secure any Relevant Indebtedness or any Sukuk Obligation incurred in connection with a Securitisation;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Relevant Indebtedness**” means (i) 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 are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market and have a maturity of more than one year and (ii) any guarantee or indemnity of any such indebtedness;

“**Securitisation**” means any securitisation of existing or future assets and/or revenues, provided that (i) any Security Interest given by the Issuer or the Guarantor (as applicable) or any of its Subsidiaries in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation, (ii) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues securitised as the principal source of repayment for the moneys advanced or payment of any other liability and (iii) there is no other recourse to the Issuer or the Guarantor (as applicable) or any of its Subsidiaries in respect of any default by any Person under the securitisation;

“**Subsidiary**” means in relation to any Person (the “**first person**”) at any particular time, any other Person (the “**second person**”) whose affairs and policies the first person controls or has power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; and

“**Sukuk Obligation**” means (i) any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other securities issued in connection with any Islamic financing whether or not in return for consideration of any kind, which trust certificates or other securities for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market and (ii) any guarantee or indemnity of any such undertaking or other obligation.

## 5. REDENOMINATION

### 5.1 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days’ prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note equal to the nominal amount of that Note in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as

the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denominations of euro 100,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Noteholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 7; and (ii) in the case of Notes which are not Relevant Notes in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the “**Exchange Notice**”) that replacement euro-denominated Notes and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes so issued will also become void on that date although those Notes will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes and Coupons will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
  - (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
  - (ii) in the case of definitive Notes, by applying the Rate of Interest to 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 in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate 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; and

- (g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

## 5.2 Definitions

In the Conditions, the following expressions have the following meanings:

“**Established Rate**” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

“**Redenomination Date**” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 5.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

“**Relevant Notes**” means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area; and

## 6. INTEREST

### 6.1 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.

As used in the Conditions, “**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.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes 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 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 in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate 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 6.1:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (A) 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
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) 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
    - (2) 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; and
- (ii) 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.

In the Conditions:

**“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); 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.

## **6.2 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. In the Conditions, “**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.

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:

- (i) in any case where Specified Periods are specified in accordance with Condition 6.2(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
- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) 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
- (iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, “**Business Day**” means a day which is both:

- (i) 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 specified in the applicable Final Terms; and
- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, 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 Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET2 System**”) is open.

(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.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.



As used in these Conditions:

**“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:

- (i) Euro-Zone interbank offered rate (EURIBOR);
- (ii) London interbank bid rate (LIBID);
- (iii) London interbank offered rate (LIBOR);
- (iv) London interbank mean rate (LIMEAN);
- (v) Shanghai interbank offered rate (SHIBOR);
- (vi) Hong Kong interbank offered rate (HIBOR);
- (vii) Singapore interbank offered rate (SIBOR);
- (viii) Kuala Lumpur interbank offered rate (KLIBOR);
- (ix) Emirates interbank offered rate (EIBOR);
- (x) Saudi Arabia interbank offered rate (SAIBOR);
- (xi) Australia Bank Bill Swap (BBSW);
- (xii) Australian dollar LIBOR (AUD LIBOR);
- (xiii) Japanese Yen LIBOR (JPY LIBOR);
- (xiv) Prague interbank offered rate (PRIBOR);
- (xv) CNH Hong Kong interbank offered rate (CNH HIBOR);
- (xvi) Turkish Lira interbank offered rate (TRLIBOR or TRYLIBOR); and
- (xvii) Tokyo interbank offered rate (TIBOR);

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

**“Relevant Time”** shall mean (i) in the case of LIBOR, 11.00 a.m.; (ii) in the case of EURIBOR, 11.00 a.m.; (iii) in the case of TIBOR, 11.00 a.m.; or (iv) in the case of HIBOR, 11.00 a.m., in each case in the Relevant Financial Centre, or such other time as specified in the relevant Final Terms.

(c) **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.

(d) **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:

- (i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Floating Rate 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 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 6.2:

- (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;

- (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.

(e) **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 Agent 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 Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Designated Maturity**” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **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, the Guarantor (if applicable) 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 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. 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 promptly be 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 15. 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.

(g) **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 6.2, whether by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Guarantor (if applicable), the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor (if applicable), 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.

## 6.3 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 6.3,

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

As used in these Conditions:

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

“**Mid Swap Benchmark Rate**” means EURIBOR if the Specified Currency is euro, EIBOR if the Specified Currency is dirham or LIBOR if the Specified Currency is not euro or dirham;

“**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 Reset 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 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 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 that 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 amount of interest (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.

“**Day Count Fraction**” and related definitions have the meanings given in Condition 6.1.

(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 (as defined below) 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 such 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.

For the purposes of this Condition 6.3(b):

“**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 on the advice of an investment bank of international repute; and

“**Relevant Financial Centre**” means the financial centre specified as such in the applicable Final Terms or if none is so specified: (i) in the case of a determination of LIBOR, London, (ii) in the case of a determination of EURIBOR, Brussels, (iii) in the case of determination of EIBOR, Dubai or Abu Dhabi, (iv) in the case of a determination of SIBOR, Singapore, (v) in the case of a determination of TIBOR, Tokyo, (vi) in the case of a determination of HIBOR, Hong Kong or (vii) in the case of a determination of the Bank of England Base Rate, London.

(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, the Guarantor (if applicable) 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 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount as 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 Condition 15. 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 6.3 by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (if applicable), the Principal Paying Agent, the other Paying Agents and all Noteholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Guarantor (if applicable) or the Noteholders or any other person 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.

**6.4 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 15.

**7. PAYMENTS**

**7.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, 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); and
- (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 or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9, 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 provision of Condition 9) any law implementing an intergovernmental approach thereto.

**7.2 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 7.1 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 unmatured 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 unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured 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 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) 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 unmatured 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, unmatured 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.

### **7.3 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.

### **7.4 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**”) at the close of business on the third 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) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder

is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident 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) 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.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form at, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the “**Record Date**”) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a 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 principal amount of such Registered Note.

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

None of the Issuer, the Guarantor (if applicable) 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.

## **7.5 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 or, if applicable, the Guarantor 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 his share of each payment so made by the Issuer or, if applicable, the Guarantor 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 and, if applicable, the Guarantor have 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, if applicable, the Guarantor, adverse tax consequences to the Issuer or the Guarantor (if applicable).

## **7.6 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 10) 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) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, 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.

## **7.7 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 9;
- (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;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.6); and

- (f) 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 9.

## 7.8 RMB Currency Event

If “RMB Currency Event” is specified as being applicable in the applicable Final Terms and a RMB Currency Event, as determined by the Issuer or, if applicable, the Guarantor acting in good faith, exists on a date for payment of any amount in respect of any Note, any Coupon or under the Guarantee, the Issuer’s and, if applicable, the Guarantor’s obligation to make a payment in RMB under the terms of the Notes or the Guarantee 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 and, if applicable, the Guarantor shall give notice as soon as practicable to the Noteholders in accordance with Condition 15 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 this Condition:

“**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 Hong Kong, 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;

“**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 Hong Kong;

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

“**RMB Illiquidity**” means the general RMB exchange market in Hong Kong becomes illiquid as a result of which the Issuer or, if applicable, the Guarantor cannot obtain sufficient RMB in order to make a payment under the Notes or the Guarantee, as determined by the Issuer or, if applicable, the Guarantor in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in Hong Kong;

“**RMB Inconvertibility**” means the occurrence of any event that makes it impossible for the Issuer or, if applicable, the Guarantor to convert any amount due in respect of the Notes or under the Guarantee into RMB on any payment date at the general RMB exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or, if applicable, the Guarantor 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 or, if applicable, the Guarantor 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 or, if applicable, the Guarantor to deliver RMB between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the RMB clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the

Issuer or, if applicable, the Guarantor 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 or, if applicable, the Guarantor due to an event beyond its control, to comply with such law, rule or regulation); and

“**Spot Rate**” means the spot CNY/Relevant Currency exchange rate for the purchase of the Relevant Currency with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) 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). If neither rate is available, the Calculation Agent shall determine the 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 Hong Kong or elsewhere and the CNY/Relevant Currency exchange rate in the PRC domestic foreign exchange market.

## **7.9 RMB account**

All payments in respect of any Note or Coupon in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in Hong Kong 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 Hong Kong).

## **8. REDEMPTION AND PURCHASE**

### **8.1 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 specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### **8.2 Redemption for tax reasons**

Subject to Condition 8.6, 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 and not more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and, in accordance with Condition 15, 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 9 or, if applicable, the Guarantor 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 Tax Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation 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, if applicable, the Guarantor 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, if applicable, the Guarantor 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, 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 Issuer or, if applicable, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **8.3 Redemption for regulatory reasons (Regulatory Call)**

This Condition 8.3 is only applicable to Subordinated Notes. Subject to Condition 8.6 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 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 15, 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 of the first Tranche of the Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 8.3, CBD shall deliver to the Principal Paying Agent (to make available at its specified office to the Noteholders) a certificate signed by two Directors of CBD 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 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 8.3 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In this Condition 8.3:

“**Regulatory Redemption Event**” shall be deemed to have occurred if, as a result of any change, after the date on which agreement is reached to issue the first Tranche of the Notes, 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 (or, in the case of an issue of Notes by the Cayman Issuer, the proceeds of the Notes which are the subject of a loan from the Cayman Issuer to CBD) are fully excluded from Tier II (supplementary) Capital of CBD and its subsidiaries (save where such exclusion is only as a result of any applicable limitation of such capital), provided that the Notes have qualified as Tier II (supplementary) Capital at any time following the Issue Date of the first Tranche of the Notes; and

“**Tier II (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 as published by the Regulator (as each may be supplemented or amended from time to time) (the “**Circulars**”) is applicable in the United

Arab Emirates, Tier II (supplementary) Capital (as described in the “**Circulars**”) and (b) if the Circulars are no longer applicable in the United Arab Emirates, or if Tier II (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.

#### **8.4 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 15; 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 and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner 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 15 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 8.4 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

#### **8.5 Redemption at the option of the Noteholders (Investor Put)**

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 15 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 8.5 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 (or, if payment is required to be made by cheque, an address) 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 his 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 given by a holder of any Note pursuant to this Condition 8.5 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 8.5 and instead to declare such Note forthwith due and payable pursuant to Condition 11.

## 8.6 Early Redemption Amounts

For the purpose of Condition 8.2 above, Condition 8.3 above and Condition 11, 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 (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

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).

## **8.7 Purchases**

The Issuer, the Guarantor (if applicable) or any of their respective Subsidiaries 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, if applicable, the Guarantor, surrendered to any Paying Agent or the Registrar for cancellation.

## **8.8 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 8.7 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

## **8.9 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 8.1, 8.2, 8.3, 8.4 or 8.5 above or upon its becoming due and repayable as provided in Condition 11 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 8.6(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 or Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15.

## **9. TAXATION**

All payments of principal and interest in respect of the Notes and Coupons by the Issuer or, if applicable, under the Guarantee by the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, if applicable, the Guarantor, 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 or under the Guarantee, 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) presented for payment in a Tax Jurisdiction; or

- (b) a holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (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 7.6); or
- (d) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) “**Tax Jurisdiction**” means the Cayman Islands or the United Arab Emirates or any Emirate therein or, in each case, any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, 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 15.

## 10. 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 9) 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 7.2 or any Talon which would be void pursuant to Condition 7.2.

## 11. EVENTS OF DEFAULT

### 11.1 Events of Default relating to Senior Notes

This Condition 11.1 only applies to Senior Notes and provisions of or claims under the Guarantee in respect of Senior Notes of Coupons pertaining thereto.

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 the Guarantee or any of them and the default continues for a period of at least seven days in the case of principal or at least 14 days in the case of interest; or
- (b) the Issuer or, if applicable, the Guarantor fails to perform or observe any of its other obligations under the Conditions or the 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 next

following the service by a Noteholder on the Issuer or, as the case may be, the Guarantor of written notice requiring the same to be remedied; or

- (c) (i) any Indebtedness of the Issuer, the Guarantor (if applicable) or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Indebtedness becomes due and payable prior to its stated maturity by reason of default (however described) or (iii) the Issuer, the Guarantor (if applicable) or any Material Subsidiary 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, provided that each such event shall not constitute an Event of Default unless the aggregate amount of all such Indebtedness, either alone or when aggregated with all other Indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than U.S.\$ 10,000,000 (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.\$10,000,000 is rendered against the Issuer, the Guarantor (if applicable) or any of their respective 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 30 days after the date thereof; or
- (e) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor (if applicable) or any Material Subsidiary, save in connection with a Permitted Reorganisation; or
- (f) the Issuer, the Guarantor (if applicable) or any Material Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business, save in connection with a Permitted Reorganisation, or the Issuer, the Guarantor (if applicable) or any Material Subsidiary 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) any court or other formal proceedings are initiated against the Issuer, the Guarantor (if applicable) or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer, the Guarantor (if applicable) or the relevant Material Subsidiary, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor (if applicable) or any Material Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 30 days; or
- (h) the Issuer, the Guarantor (if applicable) or any Material Subsidiary 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) save in connection with a Permitted Reorganisation; or

- (i) any event occurs which under the laws of the United Arab Emirates or any Emirate therein and, if applicable, the Cayman Islands 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 (i) 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, if applicable, for the Guarantor to perform or comply with any of its obligations under or in respect of the Guarantee or (ii) any of such material obligations of the Issuer or, if applicable, the Guarantor thereunder are not or cease to be legal, valid, binding or enforceable; or
- (k) if applicable, the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or
- (l) by or under the authority of any government (i) the management of the Issuer, the Guarantor (if applicable) or any Material Subsidiary is wholly or substantially displaced or the authority of the Issuer, the Guarantor (if applicable) or any Material Subsidiary 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 Guarantor (if applicable) or any Material Subsidiary or the whole or a substantial part of its revenues or assets are seized, nationalised, expropriated or compulsorily acquired,

then any holder of a Note may, by written notice to the Issuer and the Guarantor (if applicable) 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.

## 11.2 Events of Default relating to Subordinated Notes

This Condition 11.2 only applies to Subordinated Notes and provisions of or claims under the Guarantee in respect of Subordinated Notes or Coupons pertaining thereto.

Each of the following events occurring with respect to any Subordinated Note shall constitute an “**Event of Default**”.

- (a) If default is made in the payment of any principal or interest due in respect of the Notes, the Guarantee or any of them and the default continues for a period of at least seven days in the case of principal and at least 14 days in the case of interest, while such default is continuing any Noteholder may institute proceedings for the dissolution and liquidation of the Issuer or the Guarantor in the United Arab Emirates or any Emirate therein or, as the case may be, in the Cayman Islands (but not elsewhere).
- (b) If any one or more of the following events shall occur and be continuing:
  - (i) the Issuer or the Guarantor (if applicable) takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, dissolution, administration or reorganisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any substantial part or all of its revenues and assets and such proceedings are not frivolous or vexatious or are not being actively contested in good faith by the Issuer or the Guarantor (if applicable) save (A) for the purposes of reorganisation on terms approved by an Extraordinary Resolution or (B) in connection with a Permitted Reorganisation and provided that a *bona fide* disposal for full value on an arm’s length basis of the whole or a substantial part of the business of the Issuer or the Guarantor (if applicable) shall not be deemed in any event to be an Event of Default for the purposes of this sub-paragraph; or

- (ii) the Issuer or the Guarantor (if applicable) ceases to carry on the whole or a substantial part of its business save (A) for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution or (B) in connection with a Permitted Reorganisation and provided that a *bona fide* disposal for full value on an arm's length basis of the whole or a substantial part of the business of the Issuer or the Guarantor (if applicable) shall not be deemed in any event to be an Event of Default for the purposes of this sub-paragraph; or
- (iii) the Issuer or the Guarantor (if applicable) is unable to pay its debts as they fall due or, save in connection with a Permitted Reorganisation, commences negotiations with its creditors as a whole or any one or more classes of its creditors with a view to the general readjustment or rescheduling of its Indebtedness or makes a general assignment for the benefit of or a composition with its creditors; or
- (iv) any execution or distress is levied against, or an encumbrancer takes possession of, the whole or any substantial part of the property, undertaking or assets of the Issuer or the Guarantor (if applicable) or any event occurs which under the laws of any jurisdiction has a similar or analogous effect, unless such enforcement proceedings are frivolous or vexatious or are being actively contested in good faith by the Issuer or the Guarantor (if applicable); or
- (v) any event occurs which under the laws of the United Arab Emirates or any Emirate therein and, if applicable, the Cayman Islands or any other jurisdiction has an analogous effect to any of the events referred to in sub-paragraphs (i) to (iv) above,

then the holder of any Note may give written notice to the Issuer and the Guarantor (if applicable) at the specified office of the Principal Paying Agent, that such Note is due and payable, whereupon the same shall, subject to Condition 3, 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 Guarantor (if applicable) as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer or the Guarantor (if applicable) under the Notes, the Coupons or the Guarantee, but the institution of such proceedings shall not have the effect that the Issuer or, if applicable, the Guarantor shall be obliged to pay any sums or sums sooner than would otherwise have been payable by it.
- (d) No remedy against the Issuer or the Guarantor (if applicable), 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 Guarantor (if applicable), shall be available to the Noteholders or the Couponholders for the recovering of amounts owing in respect of the Notes, the Coupons or the Guarantee in respect of any breach by the Issuer or the Guarantor (if applicable) of any other obligation, condition or provision binding on it under the Notes, the Coupons or the Guarantee.

### 11.3 Definitions

For the purposes of this Condition:

**“guarantee”** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

**“Indebtedness”** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**“Material Subsidiary”** means at any relevant time a Subsidiary of CBD (regardless of whether CBD owns such Subsidiary directly or indirectly):

- (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated financial statements, whose consolidated total assets or consolidated gross revenues, as the case may be) represents not less than 10 per cent., of the consolidated total assets or the consolidated gross revenues of CBD and its respective Subsidiaries, all as calculated by reference to the then latest audited financial statements (or consolidated accounts, as the case may be) of such Subsidiary and the then latest audited consolidated financial statements of CBD; or
- (b) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary; and

**“Permitted Reorganisation”** means:

- (a) any disposal by any Subsidiary of the whole or a substantial part of its business, undertaking or assets to the Issuer or the Guarantor (if applicable) or any wholly owned Subsidiary of the Issuer or the Guarantor (if applicable);
- (b) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of the Issuer or the Guarantor (if applicable); or
- (c) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution.

## **12. 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 Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **13. AGENTS**

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

The Issuer and the Guarantor (if applicable) are 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 a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor (if applicable) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer and the Guarantor (if applicable) in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor 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.

## **14. 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 10.

## **15. 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 the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) or, 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. 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 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) 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 such day as is specified in the applicable Final Terms 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 (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent or the Registrar, as the case may be, and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER**

The Agency Agreement contains provisions for convening meetings 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. Such a meeting may be convened by the Issuer or the Guarantor (if applicable) 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 remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons 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 being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (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 or the Coupons), the quorum shall be one or more persons 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 holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

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

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

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 15 as soon as practicable thereafter.

## **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 Covenant, the Guarantee, the Notes, the Coupons and these Conditions (including the remaining provisions of this Condition 19) and any non-contractual obligations arising out of or in connection thereto 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 and/or the Coupons and/or these Conditions (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a “**Dispute**”) shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (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 Paris;

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

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

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 19.4 and, subject as provided below, any arbitration commenced under Condition 19.2 in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder or Couponholder must also promptly give notice to the Registrar (as defined in the Rules) and to any arbitrator already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the Registrar, 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:

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

### 19.4 Jurisdiction of the courts

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 and the Dubai International Financial Centre (the “**DIFC**”) (at the option of the Noteholders and the Couponholders) shall have exclusive jurisdiction to settle any Dispute and the Issuer and the Guarantor each submits to the exclusive jurisdiction of such courts;
- (b) the Issuer and the Guarantor each waives any objection to the courts of either England or the DIFC on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute; and
- (c) this Condition 19.4 is for the benefit of the Noteholders and the Couponholders only.

As a result, and notwithstanding paragraph (a) above, any Noteholder or Couponholder may take proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, any Noteholder or Couponholder may take concurrent Proceedings in any number of jurisdictions.

### **19.5 Appointment of Process Agent**

Each of the Issuer and the Guarantor irrevocably appoints Process Servers Ltd at its registered office at 4 Marylebone High Street, London W1U 4NQ, United Kingdom as its agent for service of process, in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Process Servers Ltd being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. Each of the Issuer and the Guarantor agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

### **19.6 Waiver of immunity**

CBD, in its capacity as Issuer and as Guarantor, irrevocably and unconditionally agrees to waive, with respect to the Notes, the Coupons and the Guarantee, any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process including without limitation, the making, enforcement agrees to execution against any property whatsoever (irrespective of its use or intended use) of any order of judgment made or given in connection with any Disputes or Proceedings.

### **19.7 Other documents**

Each of the Agency Agreement, the Guarantee and the Deed of Covenant contains governing law, arbitration, submission, process agent appointment and enforcement terms that are substantially similar to those set out above.

## **USE OF PROCEEDS**

In the case of Notes issued by the Cayman Issuer, the net proceeds from each issue of Notes will be lent by the Cayman Issuer to CBD and, along with the net proceeds from each issue of Notes by CBD, will be applied by CBD for its general corporate purposes, which include making a profit.

## DESCRIPTION OF THE CAYMAN ISSUER

The Cayman Issuer was incorporated in the Cayman Islands as an exempted company with limited liability on 12 May 2015 in accordance with the Companies Law of the Cayman Islands (as amended), with registration number 299778 and having its registered office at c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. Its telephone number is +1 345 943 3100.

The authorised share capital of the Cayman Issuer is US\$50,000.00 divided into 50,000 ordinary shares with a par value of US\$1.00 each. The issued share capital of the Cayman Issuer is 1 share, which is fully paid and held by CBD.

The Cayman Issuer has no subsidiaries.

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

<b>Director</b>	<b>Other principal activities at Commercial Bank of Dubai P.S.C.</b>
1. Souhayel Tayeb	Head of Legal Department
2. Peter Paul Michael Baltussen	Chief Executive Officer
3. Thomas Pereira	Chief Financial Officer

The business address of each member of the board of directors is Head Office, Ittihad Road, Deira, PO Box 2668, Dubai, United Arab Emirates.

The Cayman Issuer has no employees other than those directors listed above and is not expected to have any employees in the future.

No member of the board of directors of the Cayman Issuer has any actual or potential conflict of interest between his duties to the Cayman Issuer, CBD and his private interests and/or other duties. As a matter of Cayman Islands law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Cayman Issuer, regardless of any other directorships he may hold.

The objects of the Cayman Issuer, as referred to in its Memorandum of Association, are unrestricted and the Cayman Issuer has full power and authority under its Memorandum of Association to carry out any object which is not prohibited by the laws of the Cayman Islands. Permitted objects would accordingly include the issue of the Notes and the execution of the Programme Agreement, the Agency Agreement, the Deed of Covenant (the “**Transaction Documents**”) to which it is a party and other agreements necessary for the performance of its obligations under the transactions contemplated thereby and undertaking activities pursuant to, or that are not inconsistent with, the terms and conditions of the Notes.

Under the terms of the Transaction Documents, the Cayman Issuer is not restricted from issuing securities other than the Notes or otherwise incur indebtedness.

The Cayman Issuer has not audited or published, and does not propose to audit or publish, any accounts since it is not required to do so under the laws of the Cayman Islands. The Cayman Issuer's non-audited financial statements are not published and are prepared only for internal purposes. The Cayman Issuer is, however, required to keep such books of account as are necessary to give a true and fair view of the Cayman Issuer's affairs and to explain its transactions.

## DESCRIPTION OF CBD

### Overview

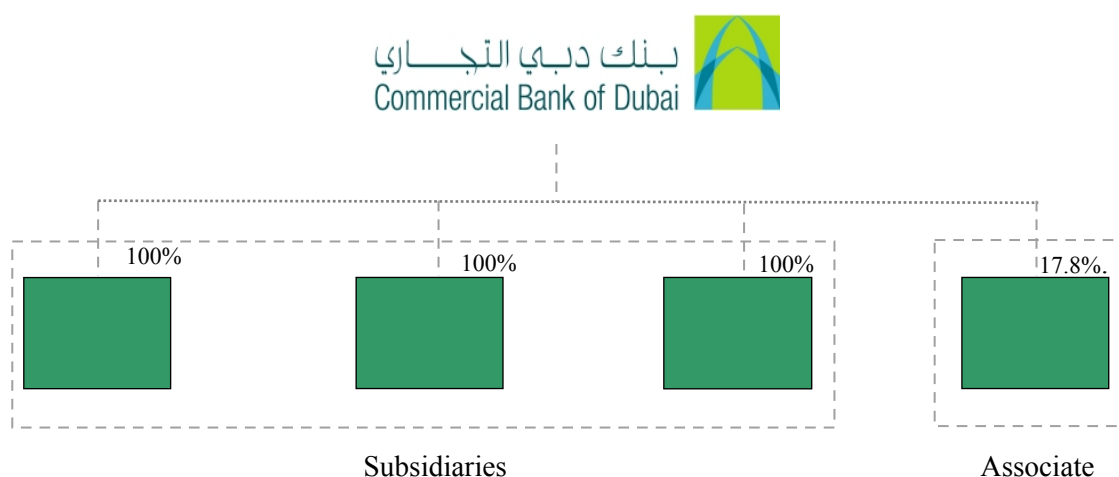
CBD was incorporated in Dubai, UAE, on 4 July 1969 pursuant to an Emiri Decree. CBD is registered as a public shareholding company in accordance with Federal Law No. 8 of 1984 (as amended). CBD's commercial registration number is 1010121, its registered office is Al Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates and its telephone number is +971 4 2121000.

CBD offers a range of banking products and services in the UAE primarily to corporate and commercial customers, including loans, working capital financing, trade finance products and deposit accounts. CBD also offers personal banking products, including deposit accounts, personal loans and mortgage products to retail customers. Since 2008, CBD has provided Shari'a compliant financial services to corporate and retail customers through its "Attijari Al Islami" finance division. As at the date of this Base Prospectus, CBD has three wholly owned subsidiaries;

- CBD Financial Services LLC ("**CBD Financial Services**"), which provides brokerage facilities for local shares and bonds;
- Attijari Properties LLC ("**Attijari Properties**"), which provides self-owned property management services; and
- the Cayman Issuer, a special purpose vehicle incorporated in May 2015, which may, among other things, issue Notes under the Programme.

CBD also has one associate, National General Insurance Co. PSC ("**NGI**"), which underwrites life and general insurance business as well as certain reinsurance business. CBD, CBD Financial Services, Attijari Properties, the Cayman Issuer and NGI are collectively referred to herein as the "**Group**".

The following diagram summarises CBD's Group structure:



CBD categorises its business into four business segments: Corporate Banking, Commercial Banking, Personal Banking and Treasury and Investment. As at 31 December 2014, the assets of the Corporate Banking segment and Commercial Banking segment together accounted for AED 29.3 billion, or 62 per cent. of CBD's total assets and their combined total liabilities amounted to AED 21.5 billion, or 55 per cent. of CBD's total liabilities.

CBD operates across the UAE through a network of 26 branches (of which 17 are in Dubai). CBD offers conventional as well as Shari'a compliant Islamic products through these branches. CBD also

operates two cash offices as well as 204 automated teller machines (“**ATMs**”) and cash deposit machines (“**CDMs**”). As at 31 December 2014, CBD employed 1,202 staff.

As at and for the year ended 31 December 2014, CBD's net profit was AED 1.2 billion (an increase of 19 per cent. compared to the year ended 31 December 2013) and its total assets amounted to AED 46.9 billion compared to AED 44.5 billion as at 31 December 2013. CBD's total equity was AED 7.8 billion as at 31 December 2014, an increase of 8 per cent. from AED 7.2 billion as at 31 December 2013.

CBD's ordinary shares are listed on the Dubai Financial Market (“**DFM**”). As at the date of the Base Prospectus, the authorised, issued and fully paid-up ordinary share capital of CBD comprised 2,802,733,968 ordinary shares of AED 1 each (compared to 2,242,187,147 and 2,038,351,976 ordinary shares of AED 1 each as at 31 December 2014 and 31 December 2013, respectively). For further information, see “*Share Capital and Shareholders*”.

CBD has a long term issuer rating of A- from Fitch and Baa1 from Moody's. Each of Fitch and Moody's is established in the European Union and registered under the CRA Regulations.

## **History and Development**

Upon its incorporation, Chase Manhattan Bank N.A. (“**Chase Manhattan**”), Commerzbank Aktiengesellschaft (“**Commerzbank**”) and the Commercial Bank of Kuwait S.A.K. (“**CBK**”) each held 26 per cent. of the issued share capital of CBD, with the balance being held by a number of UAE shareholders. Chase Manhattan managed CBD from its incorporation until July 1977. In 1980, Chase Manhattan sold its shareholding to CBK. Shortly afterwards, Commerzbank sold its shareholding to Pearl Investment Co., a registered company in Bahrain controlled by CBK, thereby giving CBK a controlling interest of 78 per cent. of CBD's issued share capital. Following the introduction of restrictions on the foreign ownership of banking institutions in the UAE in 1982, CBK sold all of its shareholding in CBD to UAE nationals and to the Government of Dubai. The Government of Dubai's shareholding is currently registered in the name of its wholly owned investment entity, the Investment Corporation of Dubai (“**ICD**”).

## **Strategy**

In September 2013, CBD approved a new five-year strategic plan from 2013 to 2018 (the “**Strategic Plan**”) following a strategic review of its business. A leading management consultancy firm worked with CBD's management and CBD's board of directors (the “**Board**”) to review and revise the Strategic Plan.

The Strategic Plan sets out CBD's growth and profitability aspirations for the period between 2013 and 2018 and the strategic initiatives required to achieve them. These initiatives aim to strengthen CBD's position in its traditional core business (in particular, Corporate Banking and Commercial Banking) and also to increase its revenues and market share in other areas (in particular, Personal Banking and Islamic Finance).

In order for CBD to focus on its core customer segments, its operations have been reorganised around four principal customer segments: Corporate Banking, Commercial Banking, Personal Banking and Treasury and Investment.

*Increase in fee and commission income from its Corporate Banking and Commercial Banking customers*

CBD is well entrenched in the UAE Corporate Banking and Commercial Banking segments and has long standing banking relationships with a number of businesses owned by UAE nationals. These relationships have mostly been based on loans and advances provided by CBD to its customers,

focussing on customers in trade and manufacturing, as well as growth sectors such as healthcare services and education.

As part of its Strategic Plan, CBD aims to increase fee and commission income from existing Corporate Banking and Commercial Banking clients. CBD intends to achieve this objective by focusing on the following initiatives:

*Selectively expanding the range of corporate and commercial products and services offered to corporate and commercial customers.* In particular, CBD will expand its fee generating products and services such as trade finance, cash management and treasury products.

*Introduce tailored corporate advisory and investment banking services primarily targeted at family-owned large corporate businesses* to further strengthen CBD's long-standing client relationships and to increase revenues in a capital-efficient manner.

*Deepening client relationships.* CBD will seek to deepen client relationships by institutionalising within CBD client specific service teams. The members of each client service team will be drawn from various departments and levels of seniority within CBD and they will interact with the clients across different levels of their management.

*Target the expatriate owned business market*

CBD's strategic review identified expatriate owned business operating within the UAE as a target market.

These businesses are a significant contributor to the gross domestic product (**GDP**) of the UAE. CBD will target businesses owned by expatriates with an established track record of operating in the UAE, particularly corporate and commercial entities operating in the UAE free zones. Whilst CBD already has some relationships with expatriate-run businesses, CBD has adjusted its client acquisition approach and risk framework to include specific initiatives to target this market.

*Increase revenues from trade businesses operating in the Asia – UAE – Africa trade corridors*

CBD will seek to support primarily existing customers that operate in trade corridors between Asia and Africa via the UAE and provide them with trade finance solutions. This initiative includes arrangements with multilateral agencies which facilitate trade business. It also envisages offering financing arrangements with banks and financial institutions in Asia and Africa to provide a wider range of trade products and services to customers.

*Significantly grow CBD's Personal Banking business*

The Strategic Plan identified growth in Personal Banking business as a strategic priority for CBD because it has the potential to accelerate growth in revenues in the medium-term and have a positive impact on CBD's overall risk-return profile, for example, by reducing CBD's overall cost of funding while increasing its yield on its portfolio of loans and advances.

A separate comprehensive operational plan has been developed and approved by the Board with the intention of making CBD a leading financial services provider in the UAE for affluent customers. CBD will seek to compete in this market by offering products and services specifically tailored to its target market segments and, by providing a comprehensive and personalised service to its Personal Banking customers, seeking to differentiate itself on the basis of superior customer satisfaction. CBD has identified asset growth in mortgages, personal lending and credit cards, in particular, to support this strategy.

The development of CBD's Personal Banking business includes the provision of a virtual personalised banking experience to its customers. This approach uses advanced data analytics to ensure that



services and products suit individual customer requirements. CBD's public website and personal internet banking solution has been upgraded to include personal financial management as well as a virtual customer assistant. The enhancement of the entire Personal Banking platform is intended to support the growth of CBD's Personal Banking business.

Implementation of the Strategic Plan has thus far led to an increase of 35 per cent. of CBD's Personal Banking assets portfolio.

#### *Expansion into Business Banking*

Building on its UAE wide distribution network and established franchise, CBD aims to expand its customer base to include business banking (comprising medium and small enterprises) and micro-finance, with banking services designed to assist customers to operate efficiently. CBD will work with the UAE Chamber of Commerce and Trade Associations to provide members with banking packages that cater to their specific requirements.

CBD has developed a strategy for the Business Banking segment including specific value propositions, targeted distribution models, and a new risk framework. This business line was successfully launched in the second half of 2014.

#### *Develop CBD's Islamic banking business*

CBD plans to grow its existing Islamic banking business by increasing its staffing levels and staff training and investing in new products and services. Attijari Al Islami offers a range of banking products and services including deposit accounts, investment deposits (Mudaraba short term, Wakalah and Commodity Murabaha), Mustaqbali Al Islami Wealth Builder (an investment-linked savings plan), Al Dana Al Islami Al Malaki (which offer customers bundled banking products and services with banking and lifestyle related advantages) and Al Dana Al Islami Sundus, Ijarah Home Lease, Absher Personal Finance Tawarruq through Equity Shares and Mudaraba Tasdeer Finance.

#### *Refresh Vision, Mission and Values*

CBD's vision, mission and values were revised in 2014 by senior management with the assistance of external consultants to ensure that these are aligned with its ambitions and business plans.

In addition, in 2014 CBD implemented a communication initiative to facilitate employee understanding and broad engagement on CBD's strategic aspirations, mission and organisational values.

#### *To be recognised as an employer of choice*

CBD aims to be recognised as an employer of choice in the UAE by fostering a motivational environment which rewards superior performance.

CBD pro-actively implements the Emiratisation initiative to recruit, train, develop and retain Emirati staff at all levels of the organisation. The appraisal process is transparent both in terms of setting of objectives as well as evaluation of performance and career progression is based on merit. CBD's incentive and reward programs are geared to recognise high performers. Employee welfare is addressed through various channels including an anonymously conducted Employee Engagement Survey, which is undertaken by an independent survey agency. The findings are presented to management who may elect to set up focus groups to discuss solutions to any issues that become apparent from the survey.

### **Competition**

Banks conducting business in the UAE face competition from the large number of both conventional and Islamic, UAE and foreign banks that are licensed to operate in the UAE. As at 31 March 2015,

there were estimated to be a total of 49 banks licensed to operate in the UAE, of which 23 were U.A.E. incorporated and 26 were foreign (according to the “U.A.E. Monthly Banking Indicators (March 2015)” report issued by the UAE Central Bank). See “*UAE Banking Sector Regulation*” for further information.

In relation to commercial banking, CBD has an established a long-standing customer base of leading companies comprising of private corporate and government customers. CBD's key competitors are primarily UAE banks such as Emirates NBD, Mashreq Bank, Union National Bank, Abu Dhabi Commercial Bank, First Gulf Bank, and the National Bank of Ras Al Khaimah, as well as international banks such as Citibank and HSBC.

## **Competitive Strengths**

CBD believes that it has a strong market position which is based on competitive advantages such as:

*Strength of brand:* CBD has a strong brand in the UAE, with a loyal customer base consisting primarily of Emirati owned businesses and customers with whom it has long standing relationships. A customer engagement survey carried by an external market research agency in December 2014 revealed that 64 per cent. of CBD's Corporate customers, 86 per cent. of Commercial customers, 76 per cent. of Islamic Finance customers, 73 per cent. of Business Banking customers and 63 per cent. of the Personal Banking customers surveyed reported that they felt engaged by CBD. These customers reported that they were satisfied with their banking relationship and were willing to continue with CBD and willing to recommend CBD.

*Shareholder support:* The main shareholders and directors are eminent local businessmen who are able to provide management with genuine commercial insights which assist CBD in meeting the needs of its customers.

*Quality of management:* CBD's strategy is supported by the senior management's broad expertise in international, regional and national banks.

*Distribution network:* CBD is able to distribute its products through a variety of channels, which include its expanding distribution network of 26 branches, 2 cash-offices, 204 ATMs and CDMs, a direct sales force, supported by a 24/7 call centre, internet and mobile banking services.

*Focused business model:* A focused business model based on customer segmentation and a clearly defined strategy, the results of which are reflected in its established record of performance having recorded its sixth successive increase in annual net profit. Management estimates that CBD has one of the highest total returns to shareholders amongst UAE banks in the period from 2005 to 2014 (based on CBD's periodic analysis of UAE banks).

## **Share Capital and Shareholders**

As at the date of this Base Prospectus, the authorised, issued and fully paid-up ordinary share capital of CBD comprises 2,802,733,968 ordinary shares of AED 1 each (compared to 2,242,187,147 ordinary shares of AED 1 each as at 31 December 2014).

At the Annual General Meeting of the shareholders of CBD held on 4 March 2015, the shareholders resolved to increase the share capital of CBD by 25 per cent. from AED 2,242 million to AED 2,803 million through a bonus share issue which has now been transferred to share capital following completion of all legal formalities. From 2010 to 2014, CBD has distributed between 47 per cent. to 93 per cent. of its annual profits to its shareholders as dividends.

As at 31 May 2014, 20 per cent. of the issued share capital of CBD was registered in the name of the ICD on behalf of the Government of Dubai. Of the balance of 80 per cent., which constitutes the free float of CBD's equity, there are five shareholders with a total holding of 38 per cent. of the issued

share capital, each holding in excess of 5 per cent. of CBD's share capital. In accordance with CBD's articles of association, the shares of CBD are currently owned and shall be owned by, and may only be acquired by, natural persons having UAE nationality or legal persons or corporations fully owned by UAE nationals.

## Business Overview

CBD categorises its business into four main business segments: Corporate Banking, Commercial Banking, Personal Banking and Treasury and Investment. CBD has three wholly owned subsidiaries; CBD Financial Services, which provides brokerage facilities for local shares and bonds, Attijari Properties, which provides self-owned property management services and CBD (Cayman) Limited, which was incorporated in the Cayman Islands in 2015 to facilitate funding for CBD. CBD also has one associate, NGI, which underwrites life and general insurance business as well as certain reinsurance business. In addition, CBD provides Shari'a compliant financial services to corporate and retail customers through its "Attijari Al Islami" finance division which it launched in 2008.

The following table set out assets, liabilities and total operating income for each of the four business segments for the years ended 31 December 2014 and 31 December 2013.

## Business Segments

	<b>Assets</b>		<b>Liabilities</b>		<b>Total Operating Income</b>	
	<i>(AED million)</i>	<i>(%)</i>	<i>(AED million)</i>	<i>(%)</i>	<i>(AED million)</i>	<i>(%)</i>
<b>31 December 2014</b>						
Corporate Banking .....	21,085	44.9	15,514	39.7	841	37.5
Commercial Banking .....	8,204	17.5	6,029	15.4	570	25.4
Personal Banking .....	4,861	10.4	12,417	31.8	483	21.6
Treasury & Investments .....	12,767	27.2	5,147	13.1	346	15.5
	<b>46,917</b>	<b>100.0</b>	<b>39,107</b>	<b>100.0</b>	<b>2,240</b>	<b>100.0</b>
<b>31 December 2013</b>						
Corporate Banking .....	21,338	48.0	14,639	39.3	734	36.1
Commercial Banking .....	7,172	16.1	6,500	17.4	531	26.1
Personal Banking .....	3,761	8.5	11,586	31.1	401	19.7
Treasury & Investments .....	12,205	27.4	4,535	12.2	367	18.1
	<b>44,476</b>	<b>100.0</b>	<b>37,260</b>	<b>100.0</b>	<b>2,033</b>	<b>100.0</b>

## Corporate Banking

Corporate Banking provides a range of credit and non-credit banking products and services to large corporate clients (including government related entities). Products offered to CBD's corporate clients include working capital loans (which assist in sustaining customers' short term business and liquidity requirements), term loans (which are repayable over an agreed period of time in regular instalments), project finance facilities (which provide longer term financing to corporate customers based upon projected cash flows) and trade finance facilities (including letters of credit, acceptances and guarantees).

Non-credit related products include payment services which enable corporate customers to transfer funds between accounts, initiate payments to government entities, initiate single or bulk third party payments and initiate trade transactions (such as letters of credit and guarantees). Corporate customers are also offered receivables management services, including cash and cheque collection services, as well as providing 24/7 cash and cheque deposit machines to deposit funds at the customer's convenience. CBD's liquidity management services assist customers in managing account balances across their organisations to consolidate cash flows and order to improve interest efficiency. CBD can also invest funds overnight or pay down revolving lines of credit. CBD also offers escrow services to corporate customers. CBD is a registered escrow agent with the Real Estate Regulatory Authority for developers who require an escrow account when launching new projects.

A centralised team of experienced relationship managers, based at CBD's Head Office, is responsible for large corporations located in Dubai and the Northern Emirates. Abu Dhabi-based large corporate clientele are managed through a team based in Abu Dhabi.

The Corporate Banking unit focuses on its core competencies in lending specifically in trade finance and in short- and medium-term funding for working capital and financing of fixed assets, respectively. It also provides transactional and electronic banking services, together with a range of foreign exchange and interest rate hedging products.

The Corporate Banking unit's recorded total revenue growth in 2014 was 14 per cent. compared to 8 per cent. for the year ended 31 December 2013. Despite an increasingly competitive environment, CBD expanded and consolidated its relationships with clients from both the public and private sectors. Its growth strategy has been focused on companies involved in trade and manufacturing, along with growth sectors such as healthcare services and education. The result has been an increased level of business volume across all of those customer segments (for both local and international companies) and products. CBD's Corporate Banking unit further expanded its relationships with existing clients and acquired new creditworthy clients within the UAE, in both the public and private sector. CBD has focused, in particular, on companies involved in trade and manufacturing and companies which operate in the growing hospitality, healthcare and education markets in the UAE.

CBD has established a Debt Capital Markets Unit to assist large corporate customers with issuing securities in the domestic debt capital markets.

CBD also provides non-credit services to customers through its Transaction Banking Unit which structures cash management and payment solutions to CBD's client base. During 2013, a corporate card was launched to assist clients with expense management and procurement.

In 2014, CBD also introduced two new initiatives for its Corporate customers: corporate advisory and commodity finance services. CBD is also in discussions with the Dubai Multi Commodities Centre to offer funding solutions for the diamond industry and the commodities sector.

CBD continues to pay particular attention to the day to day management of its credit exposures to ensure an appropriate level of structuring and ongoing monitoring.

In April 2015, CBD acquired a corporate loan portfolio with a value of approximately AED 3 billion (inclusive of unutilised commitments to extend credit) from The Royal Bank of Scotland plc. The acquired portfolio consists of large UAE-based corporate entities and CBD intends to further develop its relationships with these UAE corporate customers in the future. The acquisition was funded from CBD's own funds.

## **Commercial Banking**

Commercial Banking provides overdrafts, loans, working capital finance, trade finance and deposit products to commercial (mid-sized) clients with annual sales ranging from between AED 40 million to AED 250 million.

Commercial clients are managed by relationship managers strategically located across the branch network in UAE. Product specialists from Treasury, Trade Finance and Transaction Banking work closely with relationship managers to cross-sell tailor-made products to meet with client needs.

The Commercial Banking department offers traditional trade products such as import letters of credit, export letters of credit, guarantees, standby letters of credit, trade finance loans, export pre-and post-shipment financing, collections, trade bills discounting, avalization (where CBD guarantees the obligations of a buyer to a seller in accordance with the relevant contractual terms) and bankers' acceptances.

CBD also seeks to expand its customer base in the Commercial Banking segment by leveraging its trade finance expertise. It has introduced a Trade Sales Team to provide dedicated trade finance expertise and advice to commercial customers. CBD believes that this co-ordinated approach has enabled it to strengthen its relationships with its Commercial Banking customers and to generate an increase in trade finance business. The Commercial Banking team has focused, in particular, on promoting supply chain finance products to its clients.

CBD offers a wide range of trade finance products to service the purchase/procurement related financial requirements of its commercial customers as well as their export-related credit requirements. It also offers purchase financing products such as letters of credit, letters of credit refinancing, open account trade financing (including pre-shipment, post-shipment and advance payments) and loans against collection documents.

Export financing related products such as Tasdeer finance (involving pre/post shipment finance against export letters of credit and the negotiation of other export trade documents) are offered to commercial customers and non-customers through a programme which is managed by CBD's trade sales team.

During 2014, CBD created a Trade Sales Team comprising experienced trade products specialists, with a mandate to develop CBD's trade portfolio in both the Corporate and Commercial Banking segments. The Trade Sales Team introduced a dedicated trade sales team for valued Corporate and Commercial clients and offered an additional channel of engagement through CBD's network of experienced trade professionals.

Further, a new corporate card payment product was introduced with good uptake from customers in 2014. CBD expects that this product will become increasingly profitable as the UAE Government moves away from cash towards e-services.

## **Personal Banking**

CBD's Personal Banking clients are divided into the following segments based on income and wealth:

- small business clients with annual sales ranging up to AED 40 million,
- high net worth clients (Al Dana), with monthly salaries of more than AED 40,000;
- mid-tier clients (Personal), with monthly salaries of between AED 5,000 to 40,000; and
- modest income clients (Direct), with monthly salaries of less than AED 5,000.

CBD offers a range of products and services to its Personal Banking clients. It offers current and savings accounts to eligible customers with free debit cards, as well as standing instruction and safe deposit locker facilities. Mustaqbali (child savings) and zawaj (marriage) savings plans enable parents and children to plan for the future. These savings plans have a minimum term of 5 years and allow for monthly contributions. Capital is guaranteed for the term of the plans which also offer customers additional features. Personal loans are offered to eligible Personal Banking customers at competitive interest rates. Tasaheel is an overdraft facility that allows customers to overdraw their account up to a pre-approved limit at competitive interest rates. Tamwheel is a car finance scheme that offers customers flexible repayment terms at competitive interest rates for periods up to 60 months. It also offers mortgage finance to eligible customers for longer terms at competitive interest rates. A range of card products are offered to Personal Banking customers with features designed to meet the needs of specific customer segments.

CBD also provides Wealth Management services to its high net worth personal customers through its Al Dana Wealth Management Centres.

CBD's Strategic Plan has identified growth in Personal Banking operations as a strategic priority for CBD due to the potential to accelerate growth in revenues in the medium-term and to have a positive

impact on CBD's overall risk-return profile, for example, by reducing CBD's overall cost funding and increasing its yield on its portfolio of loans and advances.

CBD launched a new online banking platform for Personal Banking customers in the first quarter of 2014. CBD's public website and personal internet banking services have been upgraded to include personal financial management as well as a virtual customer assistant. The enhancement of the entire Personal Banking platform is intended to support the growth of CBD's Personal Banking business.

CBD also introduced an initiative enabling customers to access their accounts and execute banking transactions through Facebook. This is the first time that a UAE bank has enabled customers to access bank services via Facebook. Online banking customers with a Facebook account can manage their daily banking via the Facebook platform.

CBD continued its focus on growing its Personal Banking customer base by using state of the art technology, expanded distribution channels, new products and a relationship-driven approach. This helped CBD significantly expand its Personal Banking customer base in 2014, as well as the division's contribution to overall revenues. Total Personal Banking asset growth of 29 per cent. for the year ended 31 December 2014, compared to 41 per cent. for the year ended 31 December 2013 compared favourably with the UAE market as a whole.

For the year ended 31 December 2014, the Personal Banking segment capitalised on improved market conditions and significantly increased both its asset and liability balance sheet as well as its overall segmental revenue contribution to CBD compared to the previous year. For example, the Personal Banking income constituted 22 per cent. of CBD's total income for the year ended 31 December 2014, compared to 20 per cent. for the year ended 31 December 2013.

CBD processes a significant number of public sector payments in the UAE which has helped it to acquire new business from public sector entities. These are now serviced with CBD's cash online and e-commerce solutions.

CBD has assisted in fast-tracking the UAE's shift to cashless transactions through the launch of a range of solutions designed to meet the financial requirements of organisations and institutions in all sectors. CBD expanded its portfolio of cashless solutions by launching co-branded cards with local institutions like the Al-Ahli Football Club as well as the Bait Al-Khair Society. In addition, CBD also developed a pre-paid card for the Community Development Authority to disburse financial benefits in a cashless method.

To further its objective of providing a variety of financial options to its customers and, in effect, become a one-stop financial shop, CBD launched bancassurance products across all of its branches in 2014, including Education Care, Future Invest and Women Care.

CBD is actively involved in domestic private banking and wealth management and is able to offer its clients access to international private banking advice and products through its relationship with Julius Baer, a Swiss private bank. Fixed income investments continued to be the asset of choice for the wealth management client base. Managed fixed income funds produced record inflows for CBD during the year ended 31 December 2013. CBD's Al Dana GCC Income Fund achieved double-digit returns through investments in high quality regional bonds and participation in new bond issuances.

In April 2015, CBD won the "Best Service Performance Brand 2014 Award" in the Retail Banking sector from Department of Economic Development in Dubai, UAE. The award is based upon the result of "mystery shopper exercises" conducted at the branches of all banks operating in the UAE.

## **Treasury and Investment**

The main customers of the Treasury and Investment business are the corporate, commercial and Al Dana clients of CBD. The Treasury sales team is an integral part of the client service teams set up to

manage corporate and commercial relationships and offers hedging solutions and wholesale investment products in foreign exchange, interest rates and commodities. It also keeps clients informed of market developments that are relevant to their businesses.

A key role of the Treasury business is to ensure proactive balance sheet management, adequate funding and prudent liquidity management to support CBD's asset growth. This is carried out in line with the policies and limits set by the Board and overseen by CBD's Group Asset and Liability Committee ("ALCO"). The unit also manages CBD's proprietary fixed income portfolio.

### **Islamic Banking**

CBD in 2008 launched Attijari Al Islami, an Islamic banking unit. Attijari Al Islami currently offers a wide range of Islamic products to both, personal and corporate clients ranging from Islamic current and saving accounts, short and long term investment deposits, personal finance (cars, housing and credit cards) and Shari'a compliant trade finance solutions for its commercial clients.

Attijari Al Islami currently offers Shari'a compliant Islamic products and services through CBD's 24 Attijari Al Islami centres and four dedicated Islamic units across the UAE. CBD has its own Shari'a board and has a dedicated Islamic product structuring desk.

Attijari Al Islami, has continued to grow by focussing on a high standard of customer service and by introducing innovative Islamic products, such as Mudaraba Tasdeer financing and Tawarruq financing. Mudaraba Tasdeer financing involves offering short term revolving finance facilities to beneficiaries of letters of credit in order to satisfy their shipment financing needs. Tawarruq financing involves the purchase of shares or commodities on a deferred payment basis for immediate onward sale on a spot basis. During 2014, Attijari Al Islami introduced new product offerings such as Sukuk Murabaha and Commodity Murabaha to facilitate retail customers' financing requirements under its "Absher Personal Finance" brand. CBD also introduced a scheme through which it offered employees of approved corporate entities the full range of retail Islamic products on preferential pricing and terms.

For the year ended and as at 31 December 2014, the loan portfolio of Attijari Al Islami increased by 12 per cent, accounting for 7 per cent. of CBD's gross loans portfolio and Islamic deposits account for 21 per cent. of CBD's total customer deposit base.

In 2013 "Attijari AL Islami" won "The FT Banker – Best Islamic Bank of the Year Award". This award recognises the strength of CBD's integrated approach to Shari'a-compliant business.

### **Branch Network and Product Distribution**

CBD's customers are served through 26 branches, 2 cash offices, 204 ATMs and CDMs. CBD also provides internet banking and mobile phone banking services as well as operating a 24/7 call center. 17 branches are located in prominent locations in Dubai, five branches are located in Abu Dhabi and one branch is located in each of the emirates of Ajman, Fujairah, Ras Al Khaimah and Sharjah.

Corporate banking customers are served by a centrally located team of relationship managers. All credit decisions are made by a central credit department located in CBD's head office and credit risk is closely monitored by the Risk department which is also located in Dubai.

CBD provides its customers with secure on-line banking services as well as e-payment services which permit customers to facilitate payment to a range of government, semi-government and utility companies. CBD's mobile phone banking service was launched in 2012 and CBD has upgraded its call centre located in Sharjah.

## **Human Resources and Employees**

The focus of the Human Resources Department is to attract and retain talented employees and encourage career progression based on merit. This is based on a comprehensive performance management process whereby all employees are provided with clear and measurable key performance indicators against which their performance contribution to CBD is measured. All key performance indicators link to and are based on CBD's annual operating plan.

CBD won the Human Resources Development Award 2013 from the Emirates Institute for Banking and Financial Studies based on its strategic Emiratisation plan, leadership, human resources training and development and community service.

CBD employed 1,230 staff of 41 nationalities as at 30 April 2015.

## **Information Technology ("IT")**

CBD is focussed on providing reliable and accurate IT systems to its customers and employees in a secure environment through the support of the IT Department. CBD has in place a wide range of banking software solutions to support its business lines with dedicated IT systems for Trade Finance, Treasury, Credit and Market Risk Management and Customer Relationship Management.

CBD has a disaster recovery site on remote premises that can be activated in the event of any unforeseen accident to ensure that critical systems and data continue to be fully operational and to provide essential services to its customers.

CBD has divided its IT capital expenditure budget into "Business as Usual" and "IT Roadmap" groups in order to facilitate clear monitoring and control of its IT budget.

CBD continued to develop its infrastructure, security and delivery platforms whilst remaining responsive to changing business needs and customer demands. Over 30 IT projects were successfully launched in 2014. These were intended to meet current business and customer demands and provide strong foundations for the development of CBD. Some of the key initiatives completed during 2014 included:

- improving the internet banking capabilities and customer experience through the launch of an advanced personal finance management tool and a "virtual banking assistant";
- introducing banking transactions via Facebook; and
- a new Customer Visit Management System which enables priority queuing for "VIP" customers, improving turnaround times.

## **Property**

CBD owns 12 properties and leases 19 properties across the UAE. Most of CBD's offices and branches are owned by CBD and situated in prime locations in the UAE, for example, CBD's Head Office and main branch building is located on Al Ittihad Road in Dubai opposite Deira City Centre. CBD's Bur Dubai branch is located in the Mankhool area of Dubai and its Al Maktoum branch is located on Al Maktoum Street in Dubai. As at 31 December 2014, the net book value of freehold land and buildings amounted to AED 248 million.

## **Litigation**

In the ordinary course of business, CBD may be subject to governmental, legal and arbitration proceedings. No material provision has been made as at the date of this Prospectus regarding any outstanding legal proceedings against CBD. Quarterly reviews are conducted by CBD in order to ascertain whether provisioning is required and, if necessary, the estimated amount.



## **Insurance**

CBD maintains insurance cover in respect of various insurable risks under a range of insurance policies. These include Bankers Blanket Bond, Terrorism and Sabotage and Property All Risks. Assets are covered on a replacement cost basis. CBD also has in place customer related insurance cover such as credit life insurance, credit card insurance, travel insurance, mortgage property insurance and mortgage life insurance.

The level of insurance cover proposed by management is reviewed by CBD's Audit and Compliance Committee.

## **Risk Management**

The Board has overall responsibility for the establishment and oversight of CBD's risk management framework, compliance with which is monitored by the Board's Audit and Compliance Committee, Risk Committee and Credit and Investment Committee ("**CICO**"). CBD's senior management is responsible for developing and monitoring CBD's risk management policies. The primary responsibility of fulfilling this role lies with, the ALCO, the Credit Committee and the Business Committee which meet frequently to appraise CBD's risk profile and various risk issues see "*Corporate Governance – Management Committees*".

CBD faces a range of risks in its business and operations. These include credit, market, settlement, liquidity, operational, reputational and legal risks. Each of these risks is described in further detail below. Efficient and timely management of these risks is critical to CBD's financial stability and profitability. Risk management involves identifying, measuring, monitoring and managing these risks on a regular basis with the objective of increasing shareholder value and achieving a return on equity that is commensurate with the risks assumed.

CBD has acquired and implemented systems for credit origination, analysis, rating, pricing and approval in order to control credit, market, liquidity and asset and liability management risks. For treasury-based risks, CBD has systems for front, mid and back offices to manage market, liquidity and asset and liability management risks efficiently. CBD has developed tools that facilitate the analysis, quantification and reporting of operational risk events or losses, measured to a high degree of detail, and which produce a variety of comprehensive reports that are delivered to senior management at prescribed intervals by designated officers.

CBD is also exposed to a number of other risks (such as interest rate, concentration, strategic, business and legal and compliance risks) which are managed, quantified, monitored and reported as part of CBD's internal capital adequacy assessment policy ("**ICAAP**") framework.

## **Credit Risk**

Credit risk is the risk of financial loss to CBD if a client or counterparty to a financial instrument fails to meet its contractual obligations. CBD's exposure to credit risks arises mainly through its loans and advances, Islamic financing, due from banks and investment in debt securities. The Board has established the CICO to oversee the quality of CBD's credit and investment portfolio and effectiveness of its credit policies and to approve loans and investment above management limits. The Board has also delegated the responsibility for the management of credit risk to the Credit Committee. The Credit Committee formulates credit policies, develops authorisation structures and limits for the approval and renewal of credit facilities, establishes exposure limits and monitors actual exposures, monitors and limits industry, geographic and counterparty exposures, develops, maintains and monitors compliance with CBD's risk grading systems, designs credit review processes and ensures acceptable diversification within established limits.

CBD's credit risk rating methodology is Basel II compliant. A 14-grade rating methodology has been developed internally (based on actual historical data) to classify its corporate and retail exposures as follows:

- first 9 grades for non-defaulting borrowers / performing accounts;
- grade 10 reflects irregular accounts; and
- last four grades for defaulting borrowers / non performing accounts.

The methodology provides a two-dimensional approach to CBD's credit risk rating, where credit is assessed and rated, as follows:

First Dimension: assesses the borrower's probability of default; and

Second Dimension: assesses the facility and the extent of the loss if a borrower defaults (known as the loss given default).

The use of both dimensions creates a credit-risk rating matrix, which plays a key role in making pricing, approval and credit monitoring more efficient, as well as assisting in the prompt identification of problem exposures.

CBD's credit application workflow covers the origination, financial analysis, credit rating, pricing, collateral management and approval processes. Proposals are prepared and recommended by the relevant business area and are then separately reviewed, using a range of analytical techniques, in a two-stage process by the Credit and Risk Management Department. Proposals are thereafter submitted for consideration to the Credit Committee. Additional approvals may be required from the CICO, and in certain cases the Board, depending on size of proposal or overall exposure proposed.

The Credit Control Unit, which is independent of the above-mentioned credit committee, monitors compliance of the transaction documentation, and the security required for the proposal (if any), with the terms of the Credit Committee's approval. Following execution of the transaction documentation, the security (if any) is regularly valued and the facilities are regularly reviewed for compliance by the borrower with the terms of the facility. In certain circumstances, CBD may have the right to subsequently amend a facility based on the borrower's circumstances or on the market conditions.

CBD holds collateral against loans and advances in the form of cash, guarantees, mortgages and liens over properties or other security over assets. As at 31 December 2014, approximately 48 per cent. of CBD's loan portfolio was collateralised. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are subsequently monitored on a periodic basis. Generally, collateral is not held against debt securities and amounts due from banks, and no such collateral was held as at 31 December 2014.

For further information, see Note 33(b) to the 2014 Financial Statements.

### ***Market Risk***

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads, will affect CBD's income or the value of a financial instrument.

The Board sets the risk appetite pertaining to market Risk which translates into risk limits which are closely monitored by Group Risk Management, reported daily to senior management and discussed monthly by the ALCO.

CBD separates its exposure to market risk between trading and non-trading portfolios with overall responsibility vested in the ALCO. The Group Risk Management department is responsible for the development of detailed risk management policies and for the day-to-day implementation, subject to review and approval by the ALCO.

## ***Settlement Risk***

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

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

## ***Liquidity Risk***

Liquidity risk is the risk that CBD 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 of the inability to fund assets at appropriate maturities and rates and the inability to liquidate assets at reasonable prices and in an appropriate timeframe and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

In order to ensure that liquidity risk remains within prudent levels, the Board and senior management have laid down the following key parameters which are operated on a regular basis:

<b>Parameter</b>	<b>Monitored by</b>	<b>Frequency</b>
Advances to Stable Resources <sup>1</sup>	Management	Daily
Loan to Deposit <sup>2</sup>	Management	Daily
Liquidity Coverage Ratio <sup>3</sup>	Board and Management	Monthly
Uses to Stable Resources Ratio <sup>4</sup>	Board and Management	Monthly

1 Advances to Stable Resources Ratio is defined by the Central Bank. The net loans and short-term placements with banks are calculated as a ratio to the stable funds namely shareholders' equity and term funding with residual maturity over six months with a 15 per cent. haircut for deposits maturing within six months;

2 Loan to Deposit Ratio is expressed as a ratio of customer loans to customer deposits;

3 Liquidity Coverage Ratio is a liquidity standard prescribed by Basel III and represents the ratio of eligible liquid assets to net cash outflows over the next 30 days; and

4 Uses to Stable Resources Ratio is also a Basel III recommendation which is calculated as a ratio of "uses of funds" to "stable funding resources". "Uses of funds" are calculated by applying a "usage factor" to various assets whilst stable funding resources is calculated by applying a stability factor to various sources of funding.

CBD also performs weekly liquidity stress tests based on contractual and behavioural maturity profiles. These tests are carried out with projections of both nominal and stress scenarios. The results are circulated to senior management and ALCO members.

In anticipation of the future implementation of Basel III, CBD calculates and monitors its key parameters i.e. Liquidity Coverage Ratio and Uses of Stable Resources Ratio as calculated in accordance with available UAE Central Bank draft guidelines.

As at 31 December 2014, client loans constituted 69 per cent. of CBD's total assets (compared to 68 per cent. as at 31 December 2013). In addition, as at 31 December 2014, liquid assets (cash and balances with central banks, government fixed income securities, trading securities and inter-bank current and demand deposits) comprised 16 per cent. of CBD's total assets (compared to 18 per cent. as at 31 December 2013).

The following table shows CBD's liquidity position as at 31 December 2014 and 31 December 2013:

31 December 2014			From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No Fixed Maturity
	Total	Less than 1 month					
<b>Assets</b>				(AED million)			
Cash and balances with Central Bank .....	5,450	4,904	-	100	-	-	446
Due from banks .....	1,565	1,565	-	-	-	-	-
Loans and advances and Islamic financing ....	32,167	5,259	1,528	2,168	10,890	12,322	-
Investment securities .....	5,588	28	18	367	3,533	1,210	432
Investment in associate .....	85	-	-	-	-	-	85
Investment properties .....	250	-	-	-	-	-	250
Property and equipment .....	324	-	-	-	-	-	324
Other assets .....	1,488	530	402	466	-	-	90
<b>Total assets</b>	<b>46,917</b>	<b>12,286</b>	<b>1,948</b>	<b>3,101</b>	<b>14,423</b>	<b>13,532</b>	<b>1,627</b>
<b>Liabilities and equity</b> .....							
Due to banks .....	1,098	1,048	-	50	-	-	-
Customers' deposits and Islamic customers' deposits .....	32,161	20,416	6,204	5,395	146	-	-
Note and medium term borrowings .....	4,022	-	-	-	4,022	-	-
Other liabilities .....	1,826	893	402	466	-	-	65
<b>Total liabilities</b>	<b>39,107</b>	<b>22,357</b>	<b>6,606</b>	<b>5,911</b>	<b>4,168</b>	<b>-</b>	<b>65</b>
<b>Gap representing equity</b>	<b>7,810</b>	<b>(10,071)</b>	<b>(4,658)</b>	<b>(2,810)</b>	<b>10,255</b>	<b>13,532</b>	<b>1,562</b>

31 December 2013			From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No Fixed Maturity
	Total	Less than 1 month					
<b>Assets</b>				(AED million)			
Cash and balances with Central Bank .....	6,132	5,689	-	-	-	-	443
Due from banks .....	1,662	1,462	200	-	-	-	-
Loans and advances and Islamic financing .....	30,287	5,531	1,327	2,649	10,186	10,594	-
Investment securities .....	4,229	32	35	242	2,745	883	292
Investment in associate .....	73	-	-	-	-	-	73
Investment properties .....	260	-	-	-	-	-	260
Property and equipment .....	321	-	-	-	-	-	321
Other assets .....	1,512	667	395	360	-	-	90
<b>Total assets</b>	<b>44,476</b>	<b>13,381</b>	<b>1,957</b>	<b>3,251</b>	<b>12,931</b>	<b>11,477</b>	<b>1,479</b>
<b>Liabilities and equity</b> .....							
Due to banks .....	499	399	100	-	-	-	-
Customers' deposits and Islamic customers' deposits .....	30,943	18,938	5,232	6,758	15	-	-
Note and medium term borrowings .....	4,015	-	-	-	4,015	-	-
Other liabilities .....	1,803	987	396	359	-	-	61
<b>Total liabilities</b>	<b>37,260</b>	<b>20,324</b>	<b>5,728</b>	<b>7,117</b>	<b>4,030</b>	<b>-</b>	<b>61</b>
<b>Gap representing equity</b>	<b>7,216</b>	<b>(6,943)</b>	<b>(3,771)</b>	<b>(3,866)</b>	<b>8,901</b>	<b>11,477</b>	<b>1,418</b>

## Operational Risk

Operational risk is defined by Basel as "The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, this includes legal risk but excludes strategic and reputation risks".

CBD's objective is to manage operational risk, so as to balance the avoidance of financial losses and damage to CBD's reputation, with overall cost effectiveness and to avoid control procedures that restrict initiative, innovativeness and creativity.

The primary responsibility for overseeing the establishment of sound operational risk management framework and monitoring the operational risk profile of CBD vests with the senior management of CBD, and is further assigned to the Heads of individual units, departments or branches.

CBD has in place an operational risk management system to collate operational risk information in an automated environment; this has enabled CBD to build operational risk databases to support migration to more complex approaches for computation of operational risk capital in the future.

Moreover, CBD conducts an assessment of its disaster recovery and business continuity position, as well as detailed system risk assessments of all new/upgraded IT systems and assessment of

Operational Risk elements in any new products to be launched or procedures to be implemented. Compliance with policies and procedures is supported by periodic reviews undertaken by Internal Audit. The function also undertakes a review of the insurance coverage available to CBD to maintain oversight of adequacy of insurance as necessitated by the Basel guidelines. The unit provides regular updates to the senior management and the Board, as well as the Risk Committee and the Audit and Compliance Committee to support their mandate to maintain adequate oversight of CBD's operational risk framework and status of operational risks across all areas of CBD.

### **Legal Risk**

During the ordinary course of business, CBD is subject to legal risks, proceedings and adjudications. CBD employs a full-time legal adviser who deals with both routine and more complex legal issues. The legal adviser is involved in giving legal advice to CBD's departments. In addition, the legal adviser reviews CBD's documentation, products and contracts to ensure that they are in line with current regulations.

Situations of particular complexity or sensitivity may be referred to external law firms. CBD has established a panel of external legal counsel, made up of leading local and international firms, to which it may refer matters as appropriate.

### **Derivatives**

CBD enters into derivative contracts for the following reasons:

- to hedge outstanding interest rate or foreign exchange positions;
- to provide hedging solutions to clients to cover their market risk exposures; and
- to take proprietary positions in anticipation of movements in market rates.

CBD seeks to ensure that it enters into derivative transactions with clients only when it is satisfied that the client understand the risk profile of the product.

### **Capital Management**

CBD is regulated by the Central Bank, which sets and monitors regulatory capital requirements. CBD's objectives when managing capital are to: (i) safeguard CBD's ability to continue as a going concern and increase the returns to shareholders; and (ii) comply with the regulatory capital requirements set by the Central Bank. Capital adequacy ratios are calculated in accordance with guidelines issued by the Central Bank. The Central Bank has set a minimum regulatory capital adequacy ratio of 12 per cent.

CBD's capital resources policy is to maintain its capital base through the diversification of its sources of capital and the efficient allocation of capital. It seeks to maintain at all times a prudent relationship between its total capital, as measured according to the criteria used by the Central Bank and the varied risks of its business.

CBD calculates its risk asset ratio in accordance with capital adequacy guidelines established by the Central Bank and the Basel Committee Guidelines (in accordance with the Basel II accord).

The following table sets out the regulatory capital base, risk weighted assets and the capital adequacy ratio as at 31 December 2012, 2013 and 2014.

	As at 31 December			Percentage change	
	2012	2013	2014	2013/2012	2014/2013
		(AED million)		(%)	(%)
<b>Core tier 1 capital</b>					
Share capital.....	2,038	2,038	2,242	0	10.0
Legal reserve.....	1,380	1,380	1,381	0	0.1
General reserve.....	1,100	1,100	1,121	0	1.9
Non-controlling interest.....	14	-	-	-	-

Retained earnings.....	1,595	1,982	2,387	24.3	20.4
<b>Tier 1 capital .....</b>	<b>6,127</b>	<b>6,500</b>	<b>7,131</b>	<b>6.1</b>	<b>9.7</b>
<b>Upper tier 2 capital</b>					
Fair value reserve .....	10	25	32	150.0	28.0
Collective provisions .....	432	460	525	6.5	14.1
	<b>442</b>	<b>485</b>	<b>557</b>	<b>9.7</b>	<b>14.8</b>
<b>Lower tier 2 capital</b>					
Subordinated term loans .....	1,473	-	-	-	-
<b>Tier 2 capital .....</b>	<b>1,915</b>	<b>485</b>	<b>557</b>	<b>(74.7)</b>	<b>14.8</b>
<b>Total capital base .....</b>	<b>8,042</b>	<b>6,985</b>	<b>7,688</b>	<b>(13.1)</b>	<b>10.1</b>
<b>Risk weighted assets (RWA) Pillar 1</b>					
Credit risk .....	32,228	34,375	38,615	6.7	12.3
Market risk .....	9	23	78	155.6	239.1
Operation risk .....	2,334	2,395	3,832	2.6	60.0
<b>Risk weighted assets .....</b>	<b>34,571</b>	<b>36,793</b>	<b>42,525</b>	<b>6.4</b>	<b>15.6</b>
<b>Tier 1 ratio.....</b>	<b>17.72%</b>	<b>17.67%</b>	<b>16.77%</b>	<b>(0.3)</b>	<b>(5.1)</b>
<b>Capital adequacy ratio (Pillar) 1 .....</b>	<b>23.26%</b>	<b>18.98%</b>	<b>18.08%</b>	<b>(18.4)</b>	<b>(4.7)</b>

The current minimum regulatory requirement of Tier 1 capital adequacy ratio stipulated by the Central Bank is 8 per cent.

CBD internally assesses its capital requirements taking into consideration growth requirements and business plans, and quantifies its Regulatory as well as Risk/Economic Capital requirements within its integrated ICAAP framework.

## Investments

CBD's proprietary investments predominantly comprise quoted fixed income and equity investments in UAE and regional entities. Proprietary investments in non-UAE entities accounted for AED 2,002 million, being 36 per cent. of the total portfolio as at 31 December 2014 and AED 1,174 million, being 28 per cent. of the total portfolio as at 31 December 2013.

The following table provides a breakdown of CBD's proprietary investments in UAE entities and non-UAE entities as at 31 December 2014 and 31 December 2013:

	Proprietary Investments in UAE entities		Proprietary Investments in non-UAE entities		Total Proprietary Investments	
	2014	2013	2014	2013	2014	2013
	(AED million)		(AED million)		(AED million)	
<b>Held for trading</b>						
Equities .....	1	1	1	1	2	2
Fixed rate securities.....	24	13	4	18	28	31
Floating rate securities.....						
<b>Available-for-sale</b>						
Equities .....	157	101	-	-	157	101
Fund of funds.....	15	16	257	173	272	189
Fixed rate securities.....	3,068	2,818	1,579	913	4,647	3,731
Floating rate securities.....	321	71	161	69	482	140
<b>Held-to-maturity</b>						
Fixed rate securities.....	-	-	-	-	-	0
Floating rate securities.....	-	35	-	-	-	35
	<b>3,586</b>	<b>3,055</b>	<b>2,002</b>	<b>1,174</b>	<b>5,588</b>	<b>4,229</b>

## Corporate Governance

CBD has adopted a Corporate Governance framework consistent with international best practice. The framework is created on principles of fair treatment for all stakeholders, forming the basis for an effective relationship between CBD, its Board, its shareholders and other stakeholders including customers, regulators and supervisors.

## **The Board of Directors**

The Board has the collective responsibility to ensure the long-term success of CBD and to provide overall direction, supervision and control. It has complete responsibility for CBD's operations and financial stability.

The Board sets CBD's strategic objectives and oversees the senior management. It also must ensure the effectiveness of internal control systems and keep a watch on the extent to which CBD abides by the strategic plans and written policies. In addition, it is responsible for the credibility of CBD's financial reports, the application of appropriate risk policies as well as compliance with all laws in force.

The formation of the Board is governed by the Federal Law No. 8 of 1984 (as amended). The current Board comprises of 11 Directors, each elected for a tenure of three years. The business address of each the Director is Commercial Bank of Dubai, Al Ittihad Road, PO Box 2668, Dubai, UAE.

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

### ***Mr. Saeed Ahmed Ghobash***

*Commercial Bank of Dubai PSC*

Chairman of the Board

*Membership of other companies*

Chairman of Ghobash Trading & Investment Company LLC and Vice Chairman of Abu Dhabi National Industrial Projects (ADNIP)

### ***Mr. Khalid Abdul Wahed Al Rostamani***

*Commercial Bank of Dubai PSC*

Deputy Chairman of The Board

Chairman of the Credit and Investment Committee

*Membership of other companies*

Board Member of Dubai Insurance Company and Board Member of Emirates Telecommunication Corporation

### ***H.H Sheikh / Maktoum Hasher Al Maktoum***

*Commercial Bank of Dubai PSC*

Member of the Board

Member of the Audit and Compliance Committee

Member of the Risk Committee

*Membership of other companies*

Chairman of Dubai International Holding Company LLC and President of Al Fajer Properties LLC

***H.E. Humaid Mohammed Al Qatami***

*Commercial Bank of Dubai PSC*

Member of the Board

Chairman of the Remuneration and Nomination Committee

***Mr. Omar Abdulla Al Futtaim***

*Commercial Bank of Dubai PSC*

Member of the Board

*Membership of other companies*

Chairman of Emirates Investment Bank, Vice-Chairman of Arab Orient Insurance Co. PJSC., Director of Al Futtaim Exova LLC, Chairman of Al Futtaim Carillion (Abu Dhabi) LLC, Director of Al Futtaim Shari'a Fund General Partner Ltd., Director of New Cairo City Real Estate Investment Ltd., Director of Al Futtaim Mena Real Estate Dev. Fund LP., Chairman of Al Futtaim Finance Company Pvc JSC., Chairman of Arab Orient Takuful Insurance Co. Egypt, Vice Chairman of Arab Orient Insurance Syria, Director of RSH Limited, Chairman of Futaimisr Investments Co., SAE, Egypt, Chairman of Futaimisr Trading Co., SAE, Egypt, Chairman of Al Futtaim International Investments Co., SAE, Egypt, Chairman of Al Futtaim Egypt for Trading & Services Co., SAE, Egypt and Chairman of Al Futtaim Real Estate Development Co. SAE, Egypt

***Mr. Abdulla Saif Hathboor***

*Commercial Bank of Dubai PSC*

Member of the Board

Member of Nomination and Remuneration Committee

Member of Credit and Investment Committee

*Membership of other companies*

Chairman of Al Hathboor Group LLC, Board Member of Bestfood Company, and Board Member of Al Jadeed – Dubai Automatic Bakeries

***Mr. Ali Fardan Al Fardan***

*Commercial Bank of Dubai PSC*

Member of the Board

Member of Audit and Compliance Committee

Member of Credit and Investment Committee



*Membership of other companies*

Board Member of Dubai Investment Company, Board Member of Union Properties, Chairman of Al Fardan Group, Vice Chairman of Al Fardan Holding, Managing Director of Al Fardan Real Estate and Vice Chairman of First Investor LLC

***Mr. Shehab Mohamed Gargash***

*Commercial Bank of Dubai PSC*

Member of the Board

Chairman of Risk Committee

Member of the Credit and Investment Committee

*Membership of other companies*

Chairman of Daman Investments, Board Member of Gargash Enterprises, Vice Chairman of Burj Bank (Pakistan)

*Membership in Non-profit organisations*

Board Member Awqaf and Minors Affairs Foundation and Board Member of Dubai Chamber

***Mr .Hamed Ahmed Kazim***

*Commercial Bank of Dubai PSC*

Member of the Board

Chairman of Audit and Compliance Committee

Member of Risk Committee

*Membership of other companies*

Owner of Hamed Kazim Consultancy, Board Member in Larsen & Toubro India and Board Member in Franklin Templeton Middle East

***Mr. Mohamed Ali Al Abbar***

*Commercial Bank of Dubai PSC*

Member of the Board

*Membership of other companies*

Chairman of Emaar Properties PJSC, Chairman of Emaar Malls Group PJSC, Chairman of Emaar Lebanon S.A, Chairman of Emaar Misr for Development S.A.E, Chairman of Emaar Properties Gayrimenkul Gelistrime S.A, Chairman of Emaar Syria S.A, Chairman of Emaar the Economic City, Chairman of Eagle Hills Diyar Company WLL Bahrain, Chairman of Allied Investment Partners, Chairman of Africa Middle East Resources DMCC, Chairman of RSH Limited, Director of Al Salam Bank Bahrain, Director of Amelkis Resort, Director of Emaar America Corporation, Director of Emaar Bawadi LLC, Director of Emaar DHA Islamabad Limited, Director of Emaar Giga Karachi Limited, Director of Emaar Hospitality Group, Director of Emaar

Industries and Investments LLC, Director of Emaar Middle East LLC, Director of Emaar Morocco Offshore SA, Director of Emaar Properties (Canada) Limited, Director of Emaar Tinja S.A, Director of Umm Al Quwain Marina LLC, Director of Al Maabar International Investments LLC, Director of Eagle Hills Al Maabar Properties LLC, Director of Eagle Hills Al Maabar Global Properties LLC, Director of Eagle Hills Africa Properties LLC, Director of Eagle Hills Properties LLC – Dubai Branch, Director of Eagle Hills International Properties LLC, Director of Eagle Hills Properties LLC, Director of Eagle Hills Regional Properties LLC, Director of Belgrade Waterfront Capital Investment LLC, Director of Capital City Partners LLC, Director of Eagle Hills Centenary City FZE Nigeria, Director of Eagle Hills Nigeria FZE – Nigeria, Director of Tradewinds Investment LLC, Director of Barakat Quality Pls, Director of Barakat Vegetables and Fruits Co. LLC (Dubai), Director of Barakat Vegetables and Fruits Co. LLC (Abu Dhabi), Director of Leader Capital LLC, Director of Maximus Group DMCC, Director of Noor Bank and Director of Rise LLC

***Mr. Buti Saeed Al Ghandi***

*Commercial Bank of Dubai PSC*

Member of the Board

Member of the Remuneration and Nomination Committee

Member of the Risk Committee

Member of the Audit and Compliance Committee

*Membership of other companies*

Managing Director of Al Ghandi Investment Co., Managing Director of Meethaq Employment Agency, Chairman of Emirates Investment and Development, Chairman of the Canadian University of Dubai and Vice Chairman of Dubai World Trade Center

*Membership in Non-profit organisations*

Board Member of Dubai Chamber and Board Member of Zakat Fund

The following table sets out the number of shares held by each Board member as at 31 December 2014:

<b>Director</b>	<b>31 December 2014</b>
Mr. Saeed Ahmed Ghobash .....	399,949
Mr. Khaild Abdul Wahed Al Rostamani .....	3,557,630
Mr. Sheikh / Maktoum Hasher Al Maktoum .....	109,378

Mr. H.E. Humaid Mohammed Al Qatami .....	-
Mr. Omar Abdulla Al Futtaim .....	-
Mr. Abdulla Saif Hathboor .....	1,069,603
Mr. Ali Fardan Al Fardan .....	-
Mr. Shehab Mohamed Gargash .....	-
Mr .Hamed Ahmed Kazim.....	-
Mr. Mohamed Ali Al Abbar .....	-
Mr. Buti Saeed Al Ghandi .....	-

## **Executive Senior Management**

### ***Mr. Peter Baltussen (Chief Executive Officer)***

Mr. Baltussen has over 26 years of banking experience, including 8 years with CBD. Mr. Baltussen was previously a Director and CEO of Banque de Neufilize-Paris and later the Managing Director and CEO of Saudi Hollandi Bank in Saudi Arabia.

### ***Mr. Mahmoud Hadi (Chief Operating Officer)***

Mr. Hadi has 34 years of banking experience with CBD.

### ***Mr. Thomas Pereira (Chief Financial Officer)***

Mr. Pereira has 28 years of banking experience, including 3 years with CBD. Mr. Pereira's previous roles include CFO of HSBC Middle East, Saudi British Bank, Dubai International Capital and Dunia Finance LLC.

### ***Mr. Murray Sims (General Manager— Personal Banking Group)***

Mr. Sims has 35 years of banking experience, including a year with CBD. Mr. Sims' previous roles include General Manager Personal Banking at Saudi Hollandi Bank, Chief Executive Officer of National Bank of Oman, Head of Retail and Corporate Banking for RAKbank and Chief Executive Officer for Standard Chartered Bank, Oman.

### ***Mr. Alain Renaud (General Manager - Corporate, Commercial and Investment Banking)***

Mr. Renaud is a professionally qualified banker with extensive multicultural banking experience of more than two decades. He has held key positions with HSBC in the UAE, U.K. and France such as Global Head Mergers & Acquisitions, Global Co-Head of Corporate Finance, Regional Co-Head MENA Global Banking, Head of Investment Banking and other senior positions with HSBC and International Banks in different countries.

### ***Mr. Fahad Al Muhairi (General Manager - Attijari Al Islami)***

Mr. Al Muhairi is an experience banker with broad banking experience over 18 years. He has held senior positions as Chief Risk Officer at Dubai Islamic Bank, where he gained extensive knowledge in Islamic Finance.

### ***Mr. John Tuke (Head of Treasury and Asset / Liability Management)***

Mr. Tuke has 40 years of banking experience, including 8 years with CBD. Mr. Tuke's previous roles include director for Hambros' offshore banks in Jersey and Guernsey, Treasurer of the London branch of Banco di Napoli and Ahli United Bank.

***Mr. Stephen Davies (Head of Corporate Banking)***

Mr. Davies has 32 years of banking experience, including 9 years with CBD. Mr. Davies was previously employed as General Manager at National Bank of Oman in Muscat.

***Mr. Frans Jan Burkens (Deputy General Manager, Personal Banking Group)***

Mr. Burkens has 16 years of banking experience, including 6 years with CBD. Mr. Burkens was previously employed at ABN AMRO Bank for 10 years in different Personal Banking roles from mass retail to private banking.

***Mr. Anoop Sapra (Head of Internal Audit)***

Mr. Sapra has 24 years of audit and advisory experience in the banking and financial services industry, including a year with CBD. Mr. Sapra was previously employed as Chief Auditor for Arab National Bank and with Ernst & Young in the banking and financial advisory services. Mr. Sapra also served on the Audit Committees for Arabian Heavy Equipment Leasing Co. and Saudi Home Loans Co.

***Ms. Shorouk Al Redha (Head of Human Resources)***

Ms. Al Redha has 16 years of banking experience, including 5 years with CBD. Ms. Al Redha previously worked for HSBC Bank Middle East, as well as a renowned global search firm.

***Mr. Moukarram Atassi (Head of Investment Group)***

Mr. Atassi has 18 years of banking experience, including 8 years with CBD. Mr. Atassi previously worked for Dubai Bank, Saudi Hollandi Bank, Standard Chartered Bank, Lehman Brothers and Saudi French Bank.

***Mr. Jamal Saleh (Head of Risk Management)***

Mr. Saleh has 25 years of banking experience, including 11 years with CBD. Mr. Saleh previously worked for Corporate Banking with Emirates Bank and was Manager for Corporate Banking with National Bank of Dubai.

***Mr. Othman Bin Hendi (Head of Credit)***

Mr. Hendi has 15 years of banking experience with CBD. Mr. Hendi previously worked for Standard Chartered Bank and Al Ahli Bank.

***Mr. Abdul Rahim Al Nimer (Deputy General Manager, Commercial Banking)***

Mr. Nimer has been with CBD for the past 27 years where has successfully contributed to the success of Credit department.

***Mr. Asem Fikree (Head of Information Technology & Operations)***

Mr. Asem has been with CBD for the past 15 years where has successfully contributed to the success of the Information Technology department.

In order to effectively discharge its duties, the Board is assisted by three Board Committees and eight Management Committees as illustrated below:

## **Board Committees**

The Board has delegated specific responsibilities to committees as shown below. Each committee has a formal charter.

### ***Credit and Investment Committee***

CICO oversees the quality of CBD's credit and investment portfolio and the effectiveness of its credit policies and approve loans and investment above management committee limits.

### ***Strategy and Transformation Committee***

STC is responsible for assisting the Board in fulfilling its oversight responsibilities relating to CBD's strategic plans and initiatives in support of its strategy.

### ***Risk Committee***

The role of the Risk Committee is to support the Board in ensuring that CBD achieves its strategic objectives without being unduly exposed to risks. The Risk Committee achieves this by assisting the Board in:

- formulating, reviewing and monitoring the implementation of CBD's risk policies;
- ensuring that there is an appropriate and effective risk management framework in place;
- reviewing and setting CBD's overall risk appetite;
- monitoring CBD's risk profile and the performance against risk appetite across all risk types; and
- overseeing CBD's approach to capital and liquidity management.

### ***Audit and Compliance Committee***

The role of the Audit and Compliance Committee is to assist the Board in fulfilling its oversight responsibilities for CBD's audit, internal control and compliance systems through:

- reviewing the audit and internal control systems currently in place to ensure they remain sound and fit for the purpose;
- receiving and considering reports and recommendations from internal audit, external audit and management;
- making recommendations to the Board in respect of financial reporting;
- monitoring the compliance systems and procedures in place, ensuring that management discharges its responsibility to adhere to legal and regulatory requirements in respect of CBD's business;
- receiving information and monitoring that 'due diligence' matters which arise are being reported to senior management and the Board, and that there are appropriate mechanisms in place for dealing with such matters; and
- ensuring that any areas of non-compliance of CBD with internal and external requirements are promptly addressed, and the Board appropriately informed.

### ***Nomination and Remuneration Committee***

Nomination and Remuneration Committee reviews and approves overall HR policies and strategy, and CBD's compensation program in order to attract, retain and motivate its employees.

### ***Special Credit Committee***

SCC reviews and follows up on large exposures of clients in distressed circumstances. The SCC considers any issues regarding large exposures and provisioning which may have a material impact upon CBD's performance.

### **Management Committees**

The Board is also assisted by ten management committees in effectively discharging its responsibilities.

### ***Executive Committee***

The role of EXCO is to provide strategic oversight and leadership of CBD's business. EXCO considers any issues that may have a potential material impact on CBD's performance, quality of banking services, risks, control framework and corporate social responsibility.

### ***Business Committee***

The purpose of the Business Committee is to review, analyse and decide on business initiatives related to CBD's Corporate, Commercial, Personal Banking and Treasury and Investment. It comprises of heads of business and support units.

### ***IT Steering Committee***

The IT Steering Committee provides strategic and tactical guidance for managing CBD's overall technology platform in the long and short term, to ensure that IT initiatives are consistent with the strategic business goals of CBD.

### ***Asset and Liability Committee***

The objective of ALCO is to drive the most appropriate strategy for CBD in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy. The ALCO is also responsible to ensure that all strategies conform to the Group's risk appetite and levels of exposure as determined by the Board.

### ***Credit Committee***

The Credit Committee manages the credit risk of CBD by continuous review and update of credit limits, credit policies, process and frame-work, the approval of specific exposures and work out proposals, constant revaluation of the loans portfolio and the sufficiency of provisions thereof.

### ***Compliance Committee***

The Compliance Committee primarily ensures the prevention of money laundering and terrorism financing in adherence and compliance with the relevant regulations set by regulatory authorities applicable to CBD. It oversees the monitoring and implementation of policies and procedures related to compliance and AML. It consists of five executive members.

### ***Investment Committee***

The Investment Committee is responsible for overseeing and managing CBD's proprietary investments, in both fixed income and equity securities, in accordance with the investment policy and guidelines.

### ***Operational Risk Management Committee***

The purpose of ORMC is to maintain oversight of the operational risks identified across the Group by all relevant units like Operational Risk Management Department, Internal Control Department and Internal Audit.

### ***Information Security Risk Committee***

The IRSC provides strategic and tactical guidance for managing CBD's overall information security and IT risks in the long and short term, to ensure adherence with applicable regulations and standards, compliance with internal policies and management of IT risks to protect CBD's business, supporting strategic business goals.

### ***Human Resources Committee***

The purpose of the HRC is to set strategy and policy regarding the development of CBD's organisation structure, professional ethics, business focused succession planning, Emiratisation, optimal headcount/manpower distribution, training and development, performance management and compensation and reward management. CBD's corporate governance strategy is also implemented through the following departments:

#### **Group Risk Department**

The Group Risk Department comprises credit, market, operational and IT risk units. Its responsibilities include the following:

- developing a strategy, policy and framework for risk management such that these are aligned with business requirements;
- providing support to the Group in implementation of the framework;
- bringing together analysis of risk concentrations and sensitivities across the Group;
- acting as a point of reference for risk and control matters, providing advice to management, sharing best practices and carrying out special reviews as directed by ALCO; and
- providing independent assessment of, and challenge to the business areas' risk management and profiles to ensure that they are maintained in a robust manner.

#### **Internal Audit Department**

The role of the Internal Audit Department within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group's policies and procedures. Additionally, Internal Audit provides consulting services which are advisory in nature, and are generally performed at the specific request of the Risk Committee, the Audit and Compliance Committee or Senior Management.

It is led by the Head of Internal Audit who reports to the Risk Committee and the Audit and Compliance Committee of the Board, with administrative reporting to the Chief Executive Officer.

To perform its role effectively, Internal Audit has organisational independence from management, to enable unrestricted evaluation of management activities and personnel. The Internal Audit Charter empowers it to have full, free and effective access at all reasonable times to all records, documents and employees of the Group. Further, Internal Audit has direct access to the Chairman of the Risk Committee and the Audit and Compliance Committee.

To determine whether the Internal Audit Function is functioning effectively, once each year the Risk Committee and the Audit and Compliance Committee shall:

- assess the appropriateness of the Internal Audit Charter;
- assess the adequacy of resources available, both in terms of skills and funding; and
- sponsor external assessments, at least once every 3 years, by a qualified, independent reviewer from outside the Group.

### **Internal Control**

The Board and Senior Management are responsible for developing and maintaining the existence of a sound Internal Control System and procedures that meet international standards and fulfil the requirements of CBD's management and external regulatory bodies. The internal control system should be capable of ensuring the achievement of the following:

- accuracy and integrity of financial and operational statements issued by CBD;
- effectiveness and efficiency of CBD's operational activities;
- effectiveness of measures and procedures set to safeguard CBD's assets and properties; and
- compatibility with laws, legislations and regulations in force as well as policies pertinent to internal operational procedures.

Senior management constantly monitors and assesses the efficiency and effectiveness of internal control procedures and their ability to achieve stated objectives and their furtherance and enhancement.

The Internal Control Department reports to the Chief Operating Officer (COO). The functions and responsibilities of the Internal Control Department include but not limited to:

- ensuring that CBD's operational policies, processes and controls are adhered to;
- ensuring that proper internal controls are in place and that they are functioning as designed in a timely and effective manner;
- periodic review of CBD's internal control systems in order to identify areas where internal controls may be weak, not present and areas where there appear to be excessive controls resulting in operational inefficiency so as to suggest ways to rectify the same;
- enabling the management to conduct an annual review of the efficiency of CBD's internal control systems and report its findings; and
- following up of the operational activities from a preventive perspective and overseeing operational controls being exercised to ensure that these are timely and effective.



## **Compliance and fraud**

The process of monitoring compliance is considered an independent task. It aims at ensuring that CBD and its internal policies are in compliance with all applicable laws, regulations, instructions, directives, codes of conduct and sound banking standards and practices as issued by relevant authorities.

The Board takes necessary measures to further the values of integrity and sound professional conduct within CBD promoting a culture of compliance in latter and spirit with the applicable laws, regulations, instructions and standards that constitute a primary goal that must be achieved.

In this regard, CBD has laid down Compliance and AML procedures which establish and maintain standards of ethics, confidentiality, privacy, KYC policies and other hallmarks of good governance, such as avoiding conflicts of interest.

All CBD's staff are required to attend AML and KYC training and are made aware of CBD's policies and procedures relating to these two important issues.

CBD has appointed Anti-Money Laundering Reporting Officers who are responsible for policy development and awareness, the detection and reporting of suspicious transactions and responding to staff queries relating to AML issues. All cash transactions are closely monitored and suspicious transactions are reported to the Branch AML Officer and, if required, to the Business Unit Head and CBD AML Manager.

## **Whistle blowing**

A set of arrangements has been designed to enable employees to confidentially report concerns about any potential violations, enabling the investigation and follow up of such concerns independently and discreetly through the whistle blowing policy. Such arrangements are supervised by the Audit and Compliance Committee and in coordination with the senior management.

## **Conflicts of Interest**

Certain members of CBD's Board and senior management personnel have interests in entities other than CBD, including directorships and shareholdings with third parties ("**related entities**"). Certain of these related entities have banking and/or other commercial relationships with CBD. In addition, certain Board members and senior management personnel have obtained loans and advances from, and maintain deposits with, CBD. For further information, see "*Related Party Transactions*" and Note 31 to the 2013 Financial Statements.

All transactions between CBD and members of the Board, senior management personnel and/or such related entities are subject to compliance with CBD's corporate governance regime which requires, amongst other things, that such transactions are approved by the Board and are executed on an arms-length basis. All such transactions must also comply with regulations imposed by the UAE Central Bank.

Save as set out above, there are no potential conflicts of interest between the duties of the members of CBD's Board and senior management and their private interests and/or other duties.

## **Related Party Transactions**

Transactions with certain related parties (major shareholders of CBD, CBD's Board and key management personnel of CBD and companies of which they are principal owners or directors) accounted for loans of AED 2.1 billion (which accounts for 6.5 per cent. of CBD's total loans) and deposits of AED 5.2 billion (which accounts for 16.2 per cent. of CBD's total deposits) as at 31 December 2014. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of CBD, directly or indirectly, including any

director (whether executive or otherwise) of CBD. Such transactions are carried out on an arm's length basis. The terms of these transactions are approved by the Board. Please see Note 31 to the 2014 Financial Statements.

## SELECTED FINANCIAL INFORMATION

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

*The following tables set out selected consolidated financial information of CBD, as extracted from the audited Annual Financial Statements. The ratios included herein have been prepared based on management information and information in the Annual Financial Statements. See "Presentation of financial information".*

### Consolidated Statement of Financial Position Data

	As at 31 December		
	2012	2013	2014
	<i>AED million</i>		
<b>ASSETS</b>			
Cash and balances with Central Bank.....	5,563	6,132	5,450
Due from banks.....	1,828	1,662	1,565
Loans and advances and Islamic financing.....	27,202	30,287	32,167
Investment securities.....	2,378	4,229	5,588
Investment in associate .....	61	73	85
Investment properties.....	166	260	250
Property and equipment .....	432	321	324
Other assets.....	1,668	1,512	1,488
<b>TOTAL ASSETS.....</b>	<b>39,298</b>	<b>44,476</b>	<b>46,917</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks .....	435	499	1,098
Customers' deposits and Islamic customers' deposits .....	28,052	30,943	32,161
Medium term borrowing.....	2,191	4,015	4,022
Other liabilities.....	1,809	1,803	1,826
<b>TOTAL LIABILITIES.....</b>	<b>32,487</b>	<b>37,260</b>	<b>39,107</b>
<b>EQUITY</b>			
Share capital.....	2,038	2,038	2,242
Legal reserve.....	1,380	1,380	1,380
Capital reserve .....	39	39	39
General reserve .....	1,100	1,100	1,121
Cumulative changes in fair values of AFS investments .....	23	55	70
Proposed bonus issue .....	-	204	560
Proposed cash dividend.....	611	611	560
Proposed directors' remuneration.....	11	11	11
Retained earnings.....	1,595	1,778	1,827
<b>Equity attributable to equity holders of the parent.....</b>	<b>6,797</b>	<b>7,216</b>	<b>7,810</b>
Non-controlling interest .....	14	-	-
<b>TOTAL EQUITY .....</b>	<b>6,811</b>	<b>7,216</b>	<b>7,810</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>39,298</b>	<b>44,476</b>	<b>46,917</b>

**Consolidated Income Statement Data**

	For the year ended 31 December		
	2012	2013	2014
	AED million		
Net interest income and net income from Islamic financing .....	1,332	1,449	1,583
Net fees and commission income .....	338	355	405
Net gains from foreign exchange and derivatives .....	124	113	119
Net gains / (losses) from investments at fair value through profit or loss - held for trading .....	2	2	2
Net gains from sale of available-for-sale investments .....	16	51	72
Share of profit of associate .....	7	17	18
Dividend income .....	4	6	7
Other income .....	35	40	34
<b>Total operating income .....</b>	<b>1,858</b>	<b>2,033</b>	<b>2,240</b>
Net impairment allowances on loans and advances and Islamic financing .....	(427)	(395)	(283)
<b>Total net income .....</b>	<b>1,431</b>	<b>1,638</b>	<b>1,957</b>
General and administrative expenses .....	(522)	(582)	(709)
Depreciation and amortization .....	(50)	(46)	(46)
Total operating expenses .....	(572)	(628)	(755)
<b>Net profit for the year .....</b>	<b>859</b>	<b>1,010</b>	<b>1,202</b>
Basic and diluted earnings per share .....	<b>AED0.42</b>	<b>AED0.45</b>	<b>AED0.54</b>

**Selected ratios**

	As at/For the year ended 31 December		
	2012	2013	2014
	%		
Return on average assets <sup>1</sup> .....	2.2	2.4	2.6
Return on average equity <sup>2</sup> .....	13.1	14.4	16.0
Efficiency ratio <sup>3</sup> .....	30.8	30.9	33.7
Non-performing loans ratio <sup>4</sup> .....	11.2	10.1	9.2
Loan loss coverage ratio <sup>5</sup> .....	71.7	84.9	93.7
Net loans/customer deposits <sup>6</sup> .....	97.0	97.9	100
Capital adequacy ratio (Basel II) <sup>7</sup> .....	23.2	19.0	18.1
Tier 1 Capital <sup>8</sup> .....	17.7	17.7	16.8

1 Return on Average Assets is calculated as Net profit / (Opening assets + Closing assets)/2

2 Profit to the Average Equity Ratio is calculated as Net profit / (Opening equity + Closing equity)/2.

3 Efficiency Ratio is calculated as Total operating expenses / Total operating income.

4 Non-performing loans ratio is calculated as Impaired loans / Gross loans.

5 Loan Loss Coverage Ratio is calculated as Provision for Impairment / Impaired Loans.

6 Net loans /customer deposits is calculated as net loans and advances and Islamic financing / Customers' deposits and Islamic customers' deposits.

7 Capital Adequacy Ratio is calculated as Total Capital Base / Risk Weighted Assets.

8 Tier1 Capital ratio is calculated as Tier 1 Capital / Risk Weighted Assets.

**Related party transactions**

Certain related parties (principally the major shareholders, board members, key personnel of CBD and companies where they hold a significant interest and any other parties having significant influence on the financial or operational decisions of CBD) are customers of CBD in the ordinary course of business. The transactions with these parties were made on substantially the same terms, including interest and commission rates and the requirements for collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve an amount of risk which was more than the amount of risk relating to such comparable transactions.

	Directors and key management personnel				Other related parties			
	As at/For the year ended 31 December				As at/For the year ended 31 December			
	2012	2012	2013	2014	2012	2012	2013	2014
	(Original)	(Adjusted)*			(Original)	(Adjusted)*		
	<i>AED million</i>				<i>AED million</i>			
Loans and advances	342	86	99	106	544	800	1,620	1,993
Due from banks	-	-	-	-	510	510	650	212
Investment securities	-	-	-	-	545	454	527	803
Acceptances	90	-	-	-	-	221	68	11
Letters of credit	22	-	-	-	0.402	23	9	14
Letters of guarantees	154	-	-	-	3	148	149	322
Deposits	279	10	13	12	3,424	3,693	4,792	5,190
Interest income and commission income	23	5	6	8	36	54	59	58
Interest expense	0.764	0.023	0.013	0.015	31	32	49	31

\* The financial information presented above as at and for the year ended 31 December 2012, has been reclassified to conform to the presentation adopted in accordance with the 2014 Financial Statements and the 2013 Financial Statements. Such financial information has not been audited. Entities related to directors and key management personnel were disclosed under "directors and key management personnel disclosure" up to 31 December 2013. This was reclassified and moved to "other related parties" in the 2014 Financial Statements. The total amounts of loans and advances, deposits, interest income and commission income and interest expense remain unchanged.

## FINANCIAL REVIEW

*The following discussion contains an analysis of the consolidated results of operations of CBD as at and for the years ended 31 December 2012, 2013 and 2014 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.*

*References in this financial review to 2012, 2013 and 2014 are for the 12 months ended 31 December. The percentage or percentage changes in this financial review are based on the amounts reported in CBD's Financial Statements. 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.*

### Overview

CBD was incorporated in Dubai, UAE, on 4 July 1969 pursuant to an Emiri Decree. CBD is registered as a public shareholding company in accordance with Federal Law No. 8 of 1984 (as amended). CBD's commercial registration number is 1010121, its registered office is Al Itihad Street, P.O. Box 2668, Dubai, United Arab Emirates and its telephone number is +971 4 2121000.

CBD offers a range of banking products and services in the UAE primarily to corporate and commercial customers, including loans, working capital financing, trade finance products and deposit accounts. CBD also offers personal banking products, including deposit accounts, personal loans and mortgage products to retail customers. Since 2008, CBD has provided Shari'a compliant financial services to corporate and retail customers through its "Attijari Al Islami" finance division. CBD has two wholly owned subsidiaries: CBD Financial Services, which provides brokerage facilities for local shares and bonds and Attijari Properties, which provides self-owned property management services. CBD also has one associate, NGI which underwrites life and general insurance business as well as certain reinsurance business.

As at 31 December 2014, 55 per cent. of CBD's total customer deposits (both conventional and Islamic) were sourced from the corporate sector (compared to 57 per cent. as at 31 December 2013); 28 per cent. were sourced from the personal sector (compared to 27 per cent. as at 31 December 2013); and 17 per cent. were sourced from the government sector (compared to 15 per cent. as at 31 December 2013).

As at and for the year ended 31 December 2014, CBD's net profit was AED 1.2 billion (an increase of 19 per cent. compared to the year ended 31 December 2013) and its total assets amounted to AED 46.9 billion compared to AED 44.5 billion as at 31 December 2013. CBD's total equity was AED 7.8 billion as at 31 December 2014, an increase of 8 per cent. from AED 7.2 billion as at 31 December 2013.

CBD's ordinary shares are listed on the DFM. As at the date of the Base Prospectus, the authorised, issued and fully paid-up ordinary share capital of CBD comprised 2,802,733,968 ordinary shares of AED 1 each (compared to 2,242,187,147 and 2,038,351,976 ordinary shares of AED 1 each as at 31 December 2014 and 31 December 2013, respectively). See "*Description of CBD - Share Capital and Shareholders*".

### Significant Factors Affecting Results of Operations

CBD's results during the three full years under review have been affected, by, among other things, an improvement in liquidity in the UAE banking sector, robust growth in customer advances and increased investment in securities.

### ***Improvement in liquidity in the UAE banking sector***

Following the global financial crisis in 2008, the UAE Ministry of Finance announced an AED 700 billion injection of medium term funds (which was categorised as Tier II capital) to all UAE banks. In 2009, the Dubai and Abu Dhabi Governments injected AED 16 billion Tier 1 capital in certain major UAE banks. This has led to an overall improvement in liquidity in the local banking system which has resulted in a lower cost of funding for CBD. As liquidity has improved certain banks have partially or fully repaid the deposits made by the UAE Ministry of Finance.

In 2008, CBD received AED 1.8 billion from the UAE Ministry of Finance as a support finance facility. The facility was repayable in 2016. CBD fully prepaid this facility in July 2013 after obtaining the necessary approvals.

In May 2013, CBD successfully completed an issuance of US\$500 million Notes due 2018 under this Programme.

The table below provides the loans and advances (net of provisions) and customers' deposits for the banking sector in the UAE as at 31 December for each year indicated:

	As at 31 December		
	2012	2013	2014
	(AED billion)		
Loans and advances (gross) .....	1,185	1,276	1,396
Customers' deposits.....	1,168	1,279	1,421

Source: UAE Monthly Banking Indicators issued by Central Bank

### ***Robust growth in customer advances***

The improvement in business sentiment resulted in robust growth in customer advances in the UAE. According to the UAE Central Bank, the value of customer loans and advances (net of provisions) provided by banks in the UAE increased by 7 per cent. in the year ended 31 December 2013 and a further 9 per cent. in the year ended 31 December 2014.

As a result of Dubai's successful bid to host the World Expo 2020, significant new development and construction projects have been announced including the Dubai Waterfront project, scheduled to be completed by 2020 and the "Dubai Eye" Ferris wheel, scheduled to be completed by 2018. The retail and tourism sectors have also reported increasing revenues.

CBD recorded growth in loans and advances for the year ended 31 December 2014 of 6 per cent. compared to the year ended 31 December 2013. This was due, in particular, to growth in the business / investment sector. The table below sets out CBD's customer loans and advances and Islamic Financing (net of provisions) as at 31 December for each year indicated:

	As at 31 December		
	2012	2013	2014
	(AED million)		
Loans and Advances .....	29,575	33,118	35,204

### ***Increased investments in securities***

The global and local economic recovery has resulted in narrowing credit spreads. CBD has been able to partially off-set reductions in the net interest margin of its loan portfolio by increasing its exposure to investment securities. CBD has increased its holding of investment securities by 32 per cent. to AED 5.6 billion as at 31 December 2014 from AED 4.2 billion as at 31 December 2013 (including increased holdings in floating rate non-government securities and equities). Revenues from these

domestic and international securities have contributed positively to CBD's net interest income and net income from Islamic financing. The table below sets out CBD's holding in investment securities as at 31 December for each year indicated:

	As at 31 December		
	2012	2013	2014
	(AED million)		
Investment Securities .....	2,378	4,229	5,588

### **Critical Accounting Policies**

Certain of CBD'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 CBD's management.

CBD 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 the relevant period. For more information on CBD's accounting policies, see Note 3 to the Financial Statements as at and for the years ended 31 December 2013 and 31 December 2014.

CBD's management believes that the following significant accounting policies require more critical judgments or estimates or involve a greater degree of complexity in the application of accounting standards that affect CBD's financial condition and results of operation.

### ***Classification of Financial Instruments***

CBD classifies its financial instruments into the following categories:

#### ***Financial assets at fair value through profit or loss***

This category has two sub-categories: (1) Financial assets held for trading (which are recorded at fair value with any changes in fair value recognised in CBD's consolidated income statement); and (2) Financial assets designated to be fair valued through profit or loss at inception (which are initially recognised at fair value with any fair value changes recognised in CBD's consolidated income statement).

#### ***Loans and advances***

Loans and advances are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. These arise when CBD provides money directly to the borrower with no intention of trading the receivable.

#### ***Held-to-maturity***

Investments classified as held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that CBD's management has the intention of and the ability to hold to maturity. Held-to-maturity assets are carried at amortised cost less impairment loss if any.

#### ***Available-for-sale***

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or not classified as (i) financial assets at fair value through profit or loss, (ii) loans and advances or (iii) held-to-maturity investments. Available-for-sale assets are carried at fair value,



with fair value changes recognised in other comprehensive income. These assets may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

### ***Impairment losses on loans and advances and Islamic financing***

CBD reviews its loan portfolios to assess impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, CBD makes judgments as to whether there is any indication that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. CBD's management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### ***Impairment of available-for-sale investments***

CBD determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, CBD evaluates among other factors, the normal volatility in asset prices. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology or operational and financing cash flows.

### ***Investment properties***

CBD holds certain properties for its own use as well as to lease out. The leased out or intended to lease out components have been classified as investment properties. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less any accumulated depreciation and accumulated impairment losses.

## **Results of Operations for years ended 31 December 2012, 2013 and 2014**

### ***Net interest income and net income from Islamic financing***

The following table sets out CBD's net interest income and net income from Islamic financing for each period indicated.

	Year ended 31 December			Percentage change	
	2012	2013	2014	2013/2012	2014/2013
	<i>(AED million)</i>			%	%
Interest income and income from Islamic financing.....	1,675	1,767	1,827	5.5	3.4
Interest expense and distributions to Islamic depositors.....	(343)	(318)	(244)	(7.3)	(23.3)
<b>Net interest income and net income from Islamic financing.....</b>	<b>1,332</b>	<b>1,449</b>	<b>1,583</b>	<b>8.8</b>	<b>9.2</b>

CBD's interest income and income from Islamic financing increased by 5 per cent. from AED 1.7 billion for the year ended 31 December 2012 to AED 1.8 billion for the year ended 31 December 2013. The increase in interest income and income from Islamic financing was primarily as a result of increased earnings on loans and advances and investment securities arising from higher average

balances. Interest expenses reduced by 7 per cent. from AED 343 million for the year ended 31 December 2012 compared to AED 318 million for the year ended 31 December 2013. This decrease was primarily a result of a reduction in term deposit rates including the benefit of early repayment of deposits received from the UAE Ministry of Finance.

CBD's interest income and income from Islamic financing remained consistent at AED1.8 billion for the year ended 31 December 2013 and the year ended 31 December 2014. This was mainly due to a reduction in revenue because of a reduction in yields from the Corporate and Commercial Banking segments. However, this was off-set by higher volumes in loans. Also, interest income on fixed income securities also increased considerably as a result of an increased in fixed income portfolio by 31%. Further, interest expense dropped by 23 per cent. as a Ministry of Finance deposit was paid-off in 2013 and costly time deposits were also allowed to run-off resulting in lower interest expense for 2014.

### ***Total non-interest income***

The following table sets out CBD's total non-interest income for each of the years indicated.

	Year ended 31 December			Percentage change	
	2012	2013	2014	2013/2012	2014/2013
	(AED million)			%	
Net fees and commission income.....	338	355	405	5.3	14.1
Net gains from foreign exchange and derivatives.....	124	113	119	(8.9)	5.3
Income from investments.....	29	76	99	162.1	30.3
Other income.....	35	40	34	14.3	(15.0)
<b>Total non-interest incomes .....</b>	<b>526</b>	<b>584</b>	<b>657</b>	<b>11.1</b>	<b>12.5</b>

Total non-interest income constituted 29 per cent. of CBD's total operating income for the years ended 31 December 2012 and 31 December 2013. Total non-interest income for the year ended 31 December 2013 increased by 11 per cent. from AED 526 million for the year ended 31 December 2012 compared to AED 584 million for the year ended 31 December 2013.

Total non-interest income constituted 29 per cent. of CBD's total operating income for the year ended 31 December 2014. Total non-interest income increased by 12 per cent. for the year ended 31 December 2014 from AED 584 million for the year ended 31 December 2013 to AED 657 million. The increase was primarily due to increases in fee and commission income on lending and trade finance activities. Net fees and commissions increased by 14 per cent. to AED 405 million for the year ended 31 December 2014 from AED 355 million for the year ended 31 December 2013. Higher investment income arising from profit on the disposal of investments also contributed to this growth.

### ***Impairment allowances on loans and advances and Islamic financing and recoveries***

The following table sets out CBD's net impairment allowances for each of the years indicated.

	Year ended 31 December			Percentage change	
	2012	2013	2014	2013/2012	2014/2013
	(AED million)			%	
Impairment allowances on loans and advances and Islamic financing.....	490	419	347	(14.5)	(17.2)
Recoveries.....	63	24	63	(61.9)	162.5
<b>Net Impairment allowances.....</b>	<b>427</b>	<b>395</b>	<b>284</b>	<b>(7.5)</b>	<b>(28.1)</b>

CBD's impairment allowances on loans and advances and Islamic financing decreased by 14 per cent. from AED 490 million for the year ended 31 December 2012 to AED 419 million for the year ended 31 December 2013 and further decreased by 17 per cent. from AED 419 million to AED 347 million for the year ended 31 December 2014 due to the rescheduling of credit facilities, repayments and

recoveries as customers recorded improved cash flows. Although CBD's impairment allowances levels have decreased from 2012 to 2014, CBD recorded a loan loss coverage ratio of 94 per cent. for the year ended 31 December 2014 compared to 85 per cent. for the year ended 31 December 2013 and 72 per cent. for the year ended 31 December 2012.

The total carrying amount of impaired loans (excluding restructured loans/loans under restructuring) remained stable at AED 3.3 billion as at 31 December 2012 and as at 31 December 2013 and reduced to AED 3.2 billion as at 31 December 2014.

CBD's recoveries decreased from AED 63 million for the year ended 31 December 2012 to AED 24 million for the year ended 31 December 2013 and increased to AED 63 million for the year ended 31 December 2014. These recoveries reflect the focus on monitoring CBD's non-performing loan ratio and collection procedures against a backdrop of higher collateralised asset prices.

### ***Total operating expenses***

The following table sets out the components of CBD's total operating expenses for each of the periods indicated.

	Year ended 31 December			Percentage change	
	2012	2013	2014	2013/2012	2014/2013
	<i>(AED million)</i>			<i>%</i>	
General and administrative expenses .....	522	581	709	11.3	22.0
Depreciation and amortization .....	50	47	46	(6.0)	(2.1)
<b>Total operating expenses .....</b>	<b>572</b>	<b>628</b>	<b>755</b>	<b>9.8</b>	<b>20.2</b>

CBD's general and administrative expenses (which principally comprise staff-related expenses) increased by 22 per cent. from AED 581 million for the year ended 31 December 2013 to AED 709 million for the year ended 31 December 2014. The increase in staff-related expenses was mainly due to the provision of higher salaries and incentives to employees and a 6 per cent. increase in headcount, from 1,160 in 2013 to 1,230 in 2014. The increase in headcount was mainly due to changes to the Personal Banking strategy with greater focus on sales and distribution requiring more staff.

Staff related expenses of AED 513 million for the year ended 31 December 2014, (representing 72 per cent. of CBD's general and administrative expenses) increased by 18 per cent. (compared to AED 433 million for the year ended 31 December 2013, comprising 74 per cent. of CBD's general and administrative expenses). CBD's general and administrative expenses increased by 11 per cent. from AED 522 million for the year ended 31 December 2012 to AED 581 million for the year ended 31 December 2013. This increase principally reflects higher marketing and communication costs.

### ***Net profit for the year***

As a result of the foregoing, CBD's net profit for the year ended 31 December 2014 increased by 19 per cent. from AED 1.0 billion for the year ended 31 December 2013 to AED 1.2 billion for the year ended 31 December 2014. CBD's net profit for the year ended 31 December 2013 increased from AED 859 million for the year ended 31 December 2012 to AED 1.0 billion for the year ended 31 December 2013.

## **Financial condition as at 31 December 2012, 2013 and 2014**

### ***Total assets***

The following table sets out the components of total assets as at 31 December 2012, 2013 and 2014.

	As at 31 December			Percentage change	
	2012	2013	2014	2013/2012	2014/2013
	(AED million)			%	
<b>Total Assets</b> .....	<b>39,298</b>	<b>44,476</b>	<b>46,917</b>	<b>13.2</b>	<b>5.5</b>
Loans and advances and Islamic financing.....	27,202	30,287	32,167	11.3	6.2
Investment securities.....	2,378	4,229	5,588	77.8	32.1
Other assets.....	1,667	1,512	1,488	(9.3)	(1.6)

As at 31 December 2012, CBD had total assets of AED 39.3 billion, compared to AED 44.5 billion as at 31 December 2013 and AED 46.9 billion as at 31 December 2014.

The 13 per cent. increase in total assets as at 31 December 2013 compared to 31 December 2012 was primarily due to increased levels of investment securities and loans and advances and Islamic financing provided to customers. CBD's investment securities portfolio also increased by 78 per cent. in 2013 (see *"Significant Factors Affecting Results of Operations – Increased investments in securities"*).

As at 31 December 2014, total assets increased by 5 per cent. compared to 31 December 2013. The increase was principally due to an increase in investments securities and loans and advances and Islamic financing provided to customers which increased by 32.1 per cent. and 6 per cent. respectively.

### ***Loans and advances and Islamic financing***

CBD's loan portfolio comprises loans and advances and Islamic financing to commercial, retail and government-related entities across a range of economic sectors made on both a conventional and Islamic basis. The following table sets out CBD's total loans and advances and Islamic financing by economic sector as at 31 December 2012, 2013 and 2014.

	As at 31 December			Percentage change	
	2012	2013	2014	2013/2012	2014/2013
	(AED million)			%	
<b>Commercial and Business</b> .....					
Agriculture & allied activities.....	17	99	43	482.4	(56.6)
Mining & quarrying.....	60	76	66	26.7	(13.2)
Manufacturing.....	1,176	1,038	1,156	(11.7)	11.4
Construction.....	3,555	2,791	2,329	(21.5)	(16.6)
Trade.....	7,370	8,068	8,508	9.5	5.5
Transport & communication.....	316	499	309	57.9	(38.1)
Services.....	4,126	4,965	5,327	20.3	7.3
Business and investment.....	6,103	7,050	9,035	15.5	28.2
<b>Total Commercial and Business</b>	<b>22,723</b>	<b>24,586</b>	<b>26,773</b>	<b>8.2</b>	<b>8.9</b>
Banks and financial institutions.....	316	421	645	33.2	53.2
Government and public sector entities.....	3,489	4,702	3,633	34.8	(22.7)
Personal-schematic.....	2,175	2,895	3,929	33.1	35.7
Others.....	872	513	224	(41.2)	(56.6)
	<b>29,575</b>	<b>33,117</b>	<b>35,204</b>	<b>12.0</b>	<b>6.3</b>
Less: Provision for impairments.....	(2,373)	(2,830)	(3,037)	19.2	7.3
<b>Total</b>	<b>27,202</b>	<b>30,287</b>	<b>32,167</b>	<b>11.3</b>	<b>6.2</b>

As a result of improved economic conditions in 2013 and the momentum which has developed from Dubai's successful bid to host World Expo 2020, CBD was able to expand its relationships with existing customers and acquire new customers within the UAE, particularly customers in the trade

sector. CBD increased its total loans and advances and Islamic financing to customers in the trade sector by 10 per cent. as at 31 December 2013 compared to as at 31 December 2012. Loans and advances and Islamic financing to commercial, retail and government-related entities across a range of economic sectors recorded increases as CBD widened its customer base whilst exposure to the construction sector continued to reduce as projects were completed. Growth was recorded in the services sector, as well as business and investment sector, where high net worth investors launched a number of new business projects in 2013.

As at 31 December 2014, CBD's loans and advances in the Business and Investment sector and Personal sector increased by 28 per cent. and 36 per cent. respectively compared to as at 31 December 2013. A significantly redesigned Personal Banking strategy with greater focus on sales and distribution resulted in gross loans increasing by 36 per cent. compared to as at 31 December 2013. Loans to the Construction sector reduced by 17 per cent. from AED 2.8 billion as at 31 December 2013 to be at AED 2.3 billion as at 31 December 2014. This decrease was mainly due to the completion of historic projects. New loans granted in the Construction sector in 2014 were prudently analysed and sanctioned in light of the reduction of global oil prices, resulting in a slump in loans and advances granted in the Construction sector.

### ***Investment securities***

The following table sets out the composition of CBD's investment securities as at 31 December 2012, 2013 and 2014.

	As at 31 December			Percentage change	
	2012	2013	2014	2013/2012	2014/2013
	(AED million)			(%)	
Held for trading .....	18	34	29	88.9	(14.7)
Available-for-sale .....	1,712	4,160	5,559	143.0	33.6
Held-to-maturity .....	648	35	-	(94.6)	-
<b>Investment securities .....</b>	<b>2,378</b>	<b>4,229</b>	<b>5,588</b>	<b>77.8</b>	<b>32.1</b>

As at 31 December 2012, CBD had investment securities of AED 2.4 billion as compared to AED 4.2 billion as at 31 December 2013 and AED 5.6 billion as at 31 December 2014. CBD increased its portfolio of investment securities by 78 per cent. as at 31 December 2013 and 32 per cent. as at 31 December 2014 as liquid funds were deployed to grow the investment portfolio in order to off-set reductions in the net interest margin of CBD's loan portfolio. In accordance with its strategy to maintain a higher level of liquid assets in line with new liquidity ratios, CBD did not replace the natural run-off of its held to maturity investments during the year ended 31 December 2013. Government securities constitute AED 2.1 billion, or 37 per cent, of CBD's AED 5.6 billion portfolio of investment securities as at 31 December 2014.

### ***Other assets***

The following table sets out the composition of CBD's other assets as at 31 December 2012, 2013 and 2014.

	As at 31 December			Percentage change	
	2012	2013	2014	2013/2012	2014/2013
	(AED million)			(%)	
Interest receivable	238	247	218	3.8	(11.7)
Accounts receivable and prepayments	151	184	151	21.9	(17.9)
Customer's indebtedness for acceptances	1,276	1,066	1,096	(16.5)	2.8
Positive mark to market value of derivatives*	2	15	23	650.0	53.3
<b>Other assets</b>	<b>1,667</b>	<b>1,512</b>	<b>1,488</b>	<b>(9.3)</b>	<b>(1.6)</b>

\*see Note 29 to the 2014 Financial Statements.

Other assets consist primarily of customers' indebtedness for acceptances and interest receivable. As at 31 December 2012, CBD had other assets of AED 1.7 billion as compared to AED 1.5 billion as at 31 December 2013 (a decrease of 9 per cent.) and AED 1.5 billion as at 31 December 2014 (a decrease of 2 per cent.).

Customer's indebtedness for acceptances decreased by 16 per cent. from AED 1.3 billion as at 31 December 2012 to AED 1.1 billion as at 31 December 2013 and remained relatively stable at AED 1.1 billion as at 31 December 2014. The reduction in 2013 was principally caused by certain large facilities which were granted in the last quarter of 2012 and which, as a result, remained outstanding as at 31 December 2012. These facilities were repaid in the first quarter of 2013.

CBD's accounts receivable and pre-payments increased by 22 per cent. from AED 151 million as at 31 December 2012 to AED 184 million as at 31 December 2013 due to higher prepayments of expenses. It reduced by 18 per cent. to AED 151 million on 31 December 2014 mainly due to the settlement of one-off receivables related to an Ijarah financing.

### Funding – Total liabilities and equity

The table below sets out the principal sources of CBD's funding as at 31 December 2012, 2013 and 2014.

	As at 31 December						Percentage change	
	2012		2013		2014		2013/ 2012	2014/ 2013
	(AED million)	(%)	(AED million)	(%)	(AED million)	(%)	(%)	
Due to banks .....	435	1	499	1	1,098	2	14.7	120.0
Customers' deposits and Islamic customers' deposits .....	28,052	71	30,943	70	32,161	69	10.3	3.9
Notes and medium term borrowings .....	2,191	6	4,015	9	4,022	8	83.2	0.2
Other liabilities .....	1,809	5	1,803	4	1,826	4	(0.3)	1.3
<b>Total liabilities</b>	<b>32,487</b>	<b>83</b>	<b>37,260</b>	<b>84</b>	<b>39,107</b>	<b>83</b>	<b>14.7</b>	<b>5.0</b>
<b>Total equity</b> .....	<b>6,811</b>	<b>17</b>	<b>7,216</b>	<b>16</b>	<b>7,810</b>	<b>17</b>	<b>5.9</b>	<b>8.2</b>
	<b>39,298</b>	<b>100</b>	<b>44,476</b>	<b>100</b>	<b>46,917</b>	<b>100</b>	<b>13.2</b>	<b>5.5</b>

#### Due to banks

The following table sets out CBD's due to banks funding as at 31 December 2012, 2013 and 2014.

	As at 31 December			Percentage change	
	2012	2013	2014	2013/ 2012	2014/ 2013
	(AED million)			(%)	
Current and demand deposits.....	51	258	561	360.7	117.4
Short term borrowings .....	37	241	537	(36.4)	122.8
<b>Due to banks</b> .....	<b>43</b>	<b>499</b>	<b>1,098</b>	<b>14.7</b>	<b>120.0</b>

Amounts due to banks comprise current and demand deposits and arise from short-term liquidity management related borrowings. The variances in balances arise mainly from transactions over the end of the accounting period.

#### Customers' deposits and Islamic customers' deposits

CBD's funding base principally consists of customers' deposits and Islamic customers' deposits, which constituted 71 per cent. of CBD's total liabilities as at 31 December 2012, 70 per cent. as at 31 December 2013 and 69 per cent. as at 31 December 2014. CBD's deposits are sourced mainly from corporate customers. As at 31 December 2014, of CBD's total customer deposits (both conventional and Islamic), 55 per cent. were sourced from the corporate sector (compared to 57 per cent. as at 31 December 2013), 28 per cent. were sourced from the personal sector (compared to 27 per cent. as at 31 December 2013) and 17 per cent. were sourced from the government sector (compared to 15 per cent. as at 31 December 2013).

The following table sets out the breakdown of funding from customers' deposits and Islamic customers' deposits by type of deposit as at 31 December 2012, 2013 and 2014.

	As at 31 December			Percentage change	
	2012	2013	2014	2013/ 2012	2014/ 2013
	(AED million)			(%)	
<b>Customers' deposits</b>					
Current and demand accounts.....	10,524	12,107	13,085	15.0	8.1
Savings accounts.....	1,283	1,352	1,411	5.4	4.4
Time deposits.....	12,826	10,715	10,881	(16.5)	1.5
	<b>24,633</b>	<b>24,174</b>	<b>25,377</b>	(1.9)	5.0
<b>Islamic customers' deposits</b>					
Current and demand accounts.....	425	858	955	101.9	11.3
Mudaraba savings accounts .....	253	505	468	99.6	(7.3)
Investment and Wakala deposits .....	2,741	5,406	5,361	97.2	(0.8)
	<b>3,419</b>	<b>6,769</b>	<b>6,784</b>	<b>98.0</b>	<b>0.2</b>
<b>Total customers' deposits and Islamic customers' deposits.....</b>	<b>28,052</b>	<b>30,943</b>	<b>32,161</b>	<b>10.3</b>	<b>3.9</b>

Total customers' deposits increased by 10 per cent. from AED 28.1 billion as at 31 December 2012 to AED 30.9 billion as at 31 December 2013. This 10 per cent. increase reflected the increase in CBD's loans and advances over the same period. As a result of the liquidity in the market, CBD was able to reduce its level of time deposits and significantly increase lower cost current and savings accounts. In 2013 CBD prepaid AED 1.8 billion of deposits received from the UAE Ministry of Finance in 2008 ahead of its scheduled repayment in 2016. CBD was successful in raising replacement customer deposits at market rates.

Customers' deposits increased by a further 4 per cent. to AED 32.2 billion as at 31 December 2014, as a result of higher levels of in current and demand deposits, which increased by 8 per cent.

#### *Euro medium term notes ("EMTN")*

In 2013, CBD updated its EMTN Programme, which was established in 2008. The maximum issuance amount under the Programme is U.S.\$2 billion. In May 2013, CBD issued U.S.\$500 million of fixed rate Notes due 2018 under the Programme.

#### *Medium term borrowing*

In October 2013, CBD prepaid a U.S.\$450 million financing facility which was due to mature in August 2014. This was replaced with new financing of U.S.\$450 million from a syndicate of banks in December 2013. This facility carries interest at the rate of 125 basis points over LIBOR with a 3 year maturity.

In July 2012, CBD entered into repo transactions amounting to U.S.\$150.1 million with a term of 5 years in order to obtain financing against the sale of certain debt securities.

#### *Other liabilities*

The following table sets out the breakdown of CBD's other liabilities as at 31 December 2012, 2013 and 2014.

	As at 31 December			Percentage change	
	2012	2013	2014	2013/ 2012	2014/ 2013
	(AED million)			(%)	
Interest payable.....	63	82	53	30.2	(35.4)
Employees' terminal benefits.....	55	61	65	10.9	6.6
Accounts payable and unearned fee income.....	415	584	590	40.7	1
Negative mark to market value of derivatives.....	-	10	22	-	120.0
Liabilities under acceptances.....	1,276	1,066	1,096	(16.5)	2.8
<b>Other liabilities.....</b>	<b>1,809</b>	<b>1,803</b>	<b>1,826</b>	<b>(0.3)</b>	<b>1.3</b>

CBD's other liabilities decreased by 0.3 per cent. from 1,809 million as at 31 December 2012 to AED 1,803 million as at 31 December 2013 primarily as a result of a 17 per cent. decrease in liabilities under acceptances. Certain large customer related transactions which were recorded in the three months ended 31 December 2012 were settled in the three months ended 31 March 2013 and accounted for the decline in outstanding balances. However, this was off-set by increases in accounts payable and unearned fee income by 41 per cent. which increased to AED 584 million in 31 December 2013 from AED 415 million as at 31 December 2012.

CBD's other liabilities remained relatively stable at AED 1.8 billion as at 31 December 2013 and as at 31 December 2014.

### ***Total equity***

CBD's total equity amounted to AED 6.8 billion as at 31 December 2012, AED 7.2 billion as at 31 December 2013 and AED 7.8 billion as at 31 December 2014. The main constituents of CBD's total equity as at 31 December 2012, 2013 and 2014 were:

	As at 31 December			Percentage change	
	2012	2013	2014	2013/ 2012	2014/ 2013
	<i>(AED million)</i>			<i>(%)</i>	
Share capital.....	2,038	2,038	2,242	0.0	10.0
Legal reserve.....	1,380	1,380	1,380	0.0	0.0
Capital reserve .....	39	39	39	0.0	0.0
General reserve .....	1,100	1,100	1,121	0.0	1.9
Cumulative changes in fair values of AFS investments.....	23	55	70	139.1	27.3
Reserve for proposed bonus issue.....	-	204	560	-	174.5
Proposed cash dividend .....	611	611	560	0.0	(8.3)
Proposed directors' remuneration .....	11	11	11	0.0	0.0
Retained earnings.....	1,595	1,778	1,827	11.5	2.8
Non-controlling interest.....	14	-	-	-	-
<b>Total equity</b> .....	<b>6,811</b>	<b>7,216</b>	<b>7,810</b>	<b>5.9</b>	<b>8.2</b>

As at 31 December 2014, the authorised, issued and fully paid-up ordinary share capital of CBD comprised 2,242,187,147 ordinary shares of AED 1 each (31 December 2013: 2,038,351,976 ordinary shares of AED 1 each).

At the Annual General Meeting of the shareholders of CBD held on 4 March 2015, the shareholders resolved to increase the share capital of CBD by 25 per cent. from AED 2.2 billion to AED 2.8 billion through a bonus share issue which has now been transferred to share capital following completion of all legal formalities. For further information, see “*Description of CBD – Share Capital and Shareholders*”.



## OVERVIEW OF THE UNITED ARAB EMIRATES

The information set forth in this section is based on publicly available information. CBD accepts responsibility for accurately reproducing such information and, as far as CBD is aware, no facts have been omitted which would render such information inaccurate or misleading, CBD accepts no responsibility for the accuracy of such information, which may also be approximate or use rounded numbers.

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, these were British protectorates until they achieved independence in December 1971 and combined to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is also a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi. The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects the President and the Vice President from its own membership (for renewable five year terms). HH Sheikh Zayed bin Sultan Al-Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until 2004. Following his death, his son HH Sheikh Khalifa bin Zayed Al-Nahyan took over as Ruler of Abu Dhabi and is elected President of the UAE. The Ruler of Dubai is Sheikh Mohammed bin Rashid Al Maktoum who is also the Vice President and Prime Minister of the UAE.

The UAE population was estimated to have reached almost 8.3 million people in mid-2010 according to data released on 31 March 2011 by the UAE National Statistics Bureau. The current census for 2011 is under way but, as at the date of this Base Prospectus, census results have not been published. According to data published by the IMF in April 2013, the UAE is the third largest economy in the Gulf region after the Kingdom of Saudi Arabia and the Islamic Republic of Iran, based on nominal gross domestic product (the “GDP”). It has a more diversified economy than most of the other countries in the Gulf Cooperation Council (the “GCC”). According to OPEC data, at 31 December 2013, the UAE had approximately 6.6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world), and the export of petroleum products generated U.S.\$126.3 billion for the year ended 31 December 2013 (being 33.3 per cent. of the total value of exports and 31.9 per cent. of the UAE's GDP at market prices).

The UAE National Bureau of Statistics, has estimated on a preliminary basis that real GDP in the UAE for 2012 was AED 1,025.6 billion, reflecting the general economic recovery in the wake of the global economic crisis in 2013. Based on IMF data (extracted from the World Economic Outlook (April 2015)) real GDP growth in the UAE increased by 3.6 per cent. in 2014, 4.8 per cent. in 2013, 4.4 per cent. in 2012, 3.9 per cent. in 2011 and 1.7 per cent. in 2010 .

On 17 August 2014, Moody's Investors Service Singapore Pte. Ltd. reaffirmed the UAE's long-term credit rating of Aa2 with a stable outlook. Moody's Singapore is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the Moody's Singapore rating has been endorsed by Moody's Investor Service Ltd, which is established in the European Union. The principal reason cited for this high investment grade rating is the assumption that the obligations of the Federal Government will be fully supported by Abu Dhabi. The UAE is not rated by the other rating agencies.

## INTERNATIONAL RELATIONS

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

The UAE participates in a number of multi-lateral aid-giving institutions, including the International Bank for Reconstruction and Development, the International Development Agency, the IMF and regional bodies like the Arab Bank for Economic Development in Africa, the Arab Gulf Fund for the United Nations, the Abu Dhabi-based Arab Monetary Fund, the Islamic Development Bank and the

OPEC Fund for International Development. In addition, the UAE is a member of various other international organisations, including, among others, the Asia- Pacific Economic Cooperation, the GCC, the International Organisation for Industrial Development, the League of Arab States, OPEC, the Organisation of Arab Petroleum Exporting Countries, the Organisation of Islamic Countries, the United Nations, the World Health Organisation and the World Trade Organisation (the “**WTO**”).

The UAE also maintains cordial relations with other regional states and has established good relations with the United States of America and the European Union as well as with developing nations in Africa and many of the countries of the former Soviet Union. In 2010, the UAE entered into a nuclear cooperation agreement with the United States that provides the foundation for the UAE's civilian nuclear energy programme and provides a legal framework for commerce in civilian nuclear energy between the two countries.

The UAE enjoys good relations with the other states in the GCC. However, the UAE has an ongoing dispute with the Islamic Republic of Iran and is engaged in discussions with the Kingdom of Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by the Islamic Republic of Iran. The UAE believes that the islands should be returned to the Emirate of Sharjah and the Emirate of Ras al Khaimah (with the Emirate of Sharjah claiming sovereignty over Abu Musa and the Emirate of Ras al Khaimah claiming sovereignty over Greater and Lesser Tunb) and is seeking to resolve the dispute through negotiation.

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

## THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

The information set forth in this section is based on publicly available information. CBD accepts responsibility for accurately reproducing such information and, as far as CBD is aware, no facts have been omitted which would render such information inaccurate or misleading. CBD accepts no responsibility for the accuracy of such information, which may also be approximate or use rounded numbers.

### Summary

The global financial crisis had an effect on the UAE banking sector and the key concerns facing the sector included a liquidity shortage and a fall in real estate and equities prices. Although the UAE could be viewed as an over-banked market, even by regional standards, there has traditionally been little impetus for consolidation amongst UAE banks. 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 (the “**Central Bank**”), established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the Central Bank. Historically, the Central Bank does not act as a “lender of last resort”. Instead this role tends to fall on the individual Rulers of each emirate. However, the introduction by the Central Bank in 2014 of the Interim Marginal Lending Facility (the “**IMLF**”) is expected to enable non-Islamic UAE banks to use certain rated or UAE federal government entity issued assets as collateral to access the Central Bank liquidity overnight in order to help their liquidity management, see “—Recent trends in banking—Liquidity” below.

### Characteristics of the UAE Banking System

#### *Lack of Consolidation*

The UAE may be seen as being over-banked, with an estimated total of 49 banks licensed to operate in the UAE, of which 23 were UAE incorporated and 26 were foreign as at 31 March 2015 (excluding the Dubai International Financial Centre (the “**DIFC**”)) (according to the “UAE Monthly Banking Indicators (March 2015)” report issued by the UAE Central Bank), serving a population estimated to be in the region of approximately 9.3 million people in 2013 (source: the World Bank). Traditionally there has been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial difficulties. The federal structure of the UAE has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. However, in October 2007, the UAE's second and fourth largest banks at the time, Emirates Bank International PJSC and National Bank of Dubai PJSC, merged to become Emirates NBD PJSC and, in October 2011, Dubai Bank was acquired by Emirates NBD PJSC pursuant to a decree of the Ruler of Dubai.

The relatively small size of most UAE banks has sometimes 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, possibly even creating banks with pan-Gulf franchises.

## **Domestic Focus**

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross border business. With a large number of banks competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, which had previously been seen as a relatively 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 branches, ATM networks, kiosks and telephone and internet banking services. As a consequence, IT costs have historically been a prominent feature of many banks' expenses, although these are now beginning to reduce.

## **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, since the freeze was put in place, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the Central Bank following an agreement to allow market access to banks of GCC state origin on a reciprocal basis in line with continuing efforts in regional integration. The entry of these banks raised the number of foreign banks operating in the UAE to an estimated 26, and total banks to 49 as at 31 March 2015. 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 which has seen new entities entering the market place.

## **Exposure to the Oil Sector**

With much of the economy directly or indirectly dependent on the oil sector, the 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, but gradually the private non-oil sectors are gaining ground and the economy is becoming less susceptible to oil price movements.

## **Developing Capital Markets**

The absence of mature bond and equity markets in the UAE means that banks often shoulder the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the Abu Dhabi Securities Exchange (both of which were established in 2000), have grown rapidly in 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 the 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 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, although advocated in principle, has been slow to occur 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**

The UAE economy is reliant on overseas labour, with expatriates making up approximately 80 per cent. of the workforce. The banking sector reflects this, with expatriates in senior management roles in most of the major banks. This has brought expertise from more developed markets to the sector. The high level of expatriates in the economy has been an increasing concern to 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. Banks are generally moving closer to or have met this target, providing better training and compensation for UAE nationals. At the end of first half of 2014, the emiratisation ratio in national and non-national banks was reported as 32 per cent.

## **Islamic Finance and Banking**

Islamic (Shari'a) 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 broadly correspond to conventional banking products and which are structured in such a way as to avoid the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include Al Hilal Bank PJSC, Dubai Islamic Bank PJSC, Abu Dhabi Islamic Bank PJSC, Emirates Islamic Bank PJSC, Noor Bank, Sharjah Islamic Bank, Dubai Islamic Insurance and Reinsurance Company (AMAN), Islamic Arab Insurance Co. (P.S.C.) (Salama), Tamweel and Amlak Finance. The number of Islamic banks continues to rise, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer 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 (Islamic Law). In addition, Emiri Decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation within the 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.

Dubai, like the Emirates of Abu Dhabi and Ras Al-Khaimah, has elected to maintain its own court system, separate from that of the Federation and the courts of Dubai have sole jurisdiction to hear cases brought in the Emirate of Dubai. Although both federal and Dubai courts have a similar three tier structure (Court of First Instance, Court of Appeal and the Court of Cassation/Supreme Court), Dubai has retained complete autonomy over its courts in all matters, including the appointment of judges. In accordance with the Constitution, however, the Dubai courts will first apply federal law where this exists and in its absence the laws of the Emirate of Dubai.

## **Supervision of Banks**

Banking and financial institutions established or operating in the UAE are subject to supervision and regulation by the competent federal authorities, principally the Central Bank and the Securities and Commodities Authority (the “SCA”), as well as the competent local authority in the Emirate in which they are established or operate. The Central Bank was established under Union Law No. (10) of 1980

Concerning the Central Bank, the Monetary System and Organization of Banking (the “**Union Law**”), and the SCA was established by UAE Federal Law No. 4 of 2000.

While the responsibility for regulating and exercising oversight of banks and financial institutions in the UAE has historically rested primarily with the Central Bank, the UAE has begun to transition towards a “twin peaks” regulatory model, with the Central Bank and SCA discharging different responsibilities. Under this model, the Central Bank will continue to be responsible for monetary policy, macro-economic stability, systemic risk management and the licensing of local banks and branches of foreign banks operating in the UAE. In particular, the Central Bank will remain the principal authority responsible for setting and supervising bank capital adequacy requirements.

The SCA, whose role has historically been limited to being the UAE's federal securities regulator, is expected to become increasingly active in more commercial and consumer-oriented areas previously regulated by the Central Bank, including exercising oversight over financial markets and consumer protection in financial services generally, including banking services and the establishment and marketing of investment products in the UAE. The SCA also has responsibility for oversight of certain day-to-day corporate law matters affecting public joint stock companies incorporated in the UAE, such as the conduct of general assembly meetings and the passing of shareholder resolutions.

The Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the “bank for banks” within the UAE, although it is not the “lender of last resort”. In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the Government would ultimately stand as de facto defender of the currency and the “lender of last resort”.

Federal Law No. 10 of 1980 (the “**1980 Law**”) grants the Central Bank powers to:

- exercise currency issue, stabilisation, valuation and free convertibility;
- direct credit policy for balanced growth of the economy;
- organise and promote an effective banking system with private banks and institutions;
- advise the Federal Government on financial and monetary issues;
- maintain the Federal Government's reserves of gold and foreign currencies;
- act as a bank for the Federal Government and other banks operating in the UAE; and
- act as the Federal Government's financial agent with the IMF, the World Bank and other international financial organisations.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the Central Bank to issue government debt. However, the Central Bank does issue certificates of deposit (CDs) to the banks, denominated in both U.S. dollars and UAE dirham, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the Central Bank at any time. In 2007, the Central Bank introduced an auction system and allowed U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the International Monetary Fund Special Drawing Right. However, the U.S. dollar is the intervention currency and in reality the UAE dirham is pegged to the U.S. dollar.

This pegged exchange rate (at 3.6725 AED: 1 U.S. dollar) has been in place since 22 November 1980 and has proved to be resilient to both political tensions in the region and to fluctuations in oil prices.

The Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the criminalisation of money laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit, which acts as the Financial Intelligence Unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee (the “**NANLC**”), 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 interagency liaison.

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

With the large number of US tax obligors living in or otherwise having financial accounts in the UAE, FATCA compliance is important to both UAE financial institutions and to US individuals and entities holding accounts with such institutions. All customers of financial institutions (“**FI**”) within the UAE should be aware that they are likely to be asked if they have any US indicia and to make declarations in respect of the existence of such indicia. The Central Bank, in order to facilitate FI for reporting under FATCA regulations, carried out workshops and training to update as per the reporting requirements. SCA also conducted workshops for foreign exchange companies and brokers to update them about the filing requirements.

### **Structure of the Banking System**

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as “—National” banks, of which there are estimated to be 23 as at 31 March 2015, are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority-owned by UAE nationals.

Licensed foreign banks, of which there are estimated to be 26 as at 31 March 2015, need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses “financial institutions” (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but are not permitted to accept funds in the form of deposits), foreign commercial banks (institutions which may not accept deposits with maturities of less than two years but which may borrow from its head office or other banks and the financial markets) and financial and monetary intermediaries (money and stock brokers).

### **Recent Trends in Banking**

#### ***Profitability***

The banking sector recovered well since 2012 with nearly all banks reporting growth in profitability, assets, loans and customer deposits. Growing trade finance and personal and corporate lending levels resulted in strong credit growth. Liquidity levels in AED remain high and customer deposits increased despite lower interest rates resulting in increased pressure on interest margins for all the banks. Nearly

all banks have focused on increasing their non-interest revenues. Growing trade finance activities have improved commissions and foreign exchange earnings, while rising consumer banking activities have pushed up fee income. Overall, the net profit of the banking sector increased appreciably as banks grew their loan books and managed efficiency.

As at 31 December 2014, total assets of banks operating in the UAE reached U.S.\$628 billion, an increase of U.S.\$56 billion (9.8per cent.) compared to U.S.\$572 billion as at the end of December 2013.

The performance of the UAE economy has been heavily influenced by oil prices, which directly affect fiscal revenues and thereby 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, and again from 2010 until mid-2014, allowed UAE banks to expand significantly. However, part of this growth focused on the real estate sector and equity financing which, in the context of the global financial crisis, represented a risk to the UAE banking system. Equity prices declined generally in the UAE in 2008 but, more recently, have rebounded with the ADX's General Index declining from 2,719.9 at 31 December 2010 to 2,402.3 at 31 December 2011 before increasing to 2,630.9 at 31 December 2012, 4,290.3 at 31 December 2013 and 4,5290.0 at 31 December 2014, and the Dubai Financial Market index declining from 1,630.5 at 31 December 2010 to 1,353.4 at 31 December 2011 before increasing to 1,662.5 at 31 December 2012, 3,369.8 at 31 December 2013 and 3,987.1 at 31 December 2014.

The UAE economy was negatively impacted by the global economic crisis and, in particular, by the sharp correction in the price of oil, which has also affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, which constrained lending, resulted in the majority of UAE banks being less profitable during 2008 to 2010 than in previous years. It is possible that the significant decline in oil prices since mid-2014 could have a similar impact in 2015 if it is sustained.

According to the IMF's July 2014 staff report on its Article IV consultation with the UAE, a sustained decline in oil prices would reduce export earnings and fiscal revenues. Although the UAE's substantial foreign assets and fiscal surplus would provide buffers against moderate or short-lived shocks, a large and prolonged fall in oil prices would reverse the accumulation of savings and ultimately result in lower fiscal spending. If this materialises, it could have a negative effect on the economy and could adversely affect banks through increasing customer defaults.

In addition, the IMF staff report noted that renewed global financial market volatility could increase interest costs for the UAE government and its related entities and also identified continuing increases in real estate prices as a potential area for concern in relation to the banking sector. The report also noted that private credit growth, coupled with ample liquidity in the banking system, warranted close monitoring and that tighter macroprudential regulations to limit excessive risk taking might be necessary if credit growth accelerated significantly.

### **Accounting Standards**

Since 1 January 1999 all UAE banks have been required to prepare their financial statements in accordance with International Financial Reporting Standards. Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector. Basel II was introduced effective as from 1 January 2008. The implementation of Basel III reforms began on 1 January 2013.

A finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition effective for annual periods beginning on or after 1 January 2018. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income



(FVTOCI) will apply for financial assets held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.

### **Lending and Asset Quality**

As shared in the UAE Banking Indicators issued by the Central Bank, the UAE banking industry witnessed growth of 8 per cent. in gross loans and advances from AED 1,275.5 billion as at 31 December 2013 to AED 1,378.1 billion as at 31 December 2014.

### **Credit Bureaus**

Al Etihad Credit Bureau was set up by the UAE Federal Government in February 2012. The bureau is a strategic initiative by the UAE Government which aims to create a comprehensive, nation-wide credit reporting system and improve the transparency of borrowing.

Al Etihad Credit Bureau, commenced its operations in November 2014 which has improved the flow and quality of credit information available to UAE banks. The Bureau can issue details such as details of its ownership, credit facilities that are being used, total amount of credit taken and a firm's track record of repayments. CBD entered into data sharing agreements with the Al Etihad Credit Bureau in September 2014 for both retail and non-retail borrowing accounts.

### **Commercial Companies Law**

The Federal National Council has approved the new UAE Commercial Companies Law, which will come into force on 1 July 2015. Following the coming into force of the New UAE Commercial Companies Law Article 180 will no longer be applicable. The New UAE Commercial Companies Law, introduces incremental reforms to the existing Commercial Companies Law (Law No. 8 of 1984), but mostly the fundamental framework and features of the old law.

### **Position of Depositors**

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

### **Prudential Regulations**

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

### **Capital Adequacy**

All banks are required to follow the principles of the Basel Accord in calculating their capital adequacy ratios. Basel II was introduced effective 1 January 2008. Since 1993, the Central Bank has imposed a 10 per cent. minimum total capital ratio. In a circular dated 30 August 2009, the Central Bank announced amendments to their capital adequacy requirements stating that UAE banks were

required to have total capital adequacy ratios of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., with a Tier I ratio of not less than 8 per cent., by 30 June 2010. Thereafter through its circular dated 17 November 2009 introducing Basel II, the Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Ratings Based approach under Basel II in due course. Through this circular, the Central Bank reiterated that all banks operating in the UAE were required to maintain a capital adequacy ratio at a minimum of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital.

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

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 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 implementation of the Basel III reforms began on 1 January 2013. Basel III does not replace Basel II, rather, it implements a series of modifications to the existing regulatory structure.

Basel III increases the quantity and quality of the regulatory capital banks are required to hold. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit and market exposures arising from certain assets and transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity. The most significant features of the reforms introduced by Basel III are as follows:

#### *Capital base*

Between 2013 and 2019, the common equity component of capital (known as Core Tier 1) will increase from 2 per cent. of a bank's risk-weighted assets before certain regulatory deductions to 4.5 per cent. after such deductions. In addition, a new capital conservation buffer will be introduced, as well as a zero to 2.5 per cent. countercyclical capital buffer. As a result, the overall capital requirement (Tier I and Tier II) will increase from 8 per cent. at the Basel II baseline to 10.5 per cent. by 2019 with full Basel III implementation.

### *Common equity*

Common equity will continue to form the basis of Tier I capital, but other hybrid capital instruments permitted under Basel II will be replaced with instruments that are more loss absorbing and do not have incentives to redeem. Non-qualifying instruments issued on or after 12 September 2010 will be derecognised in full from 1 January 2013; certain other instruments issued prior to 12 September 2010 which qualified as Tier 1 capital under Basel II but do not so qualify under Basel III, consisting of, among other instruments, perpetual non-cumulative preference shares, will be gradually derecognised at a rate of 10 per cent. per year from 2013 to 2023.

### *Capital charges*

Increased capital charges will be introduced with respect to re-securitisation exposures and certain liquidity commitments held in the banking book will require more capital. With respect to a bank's trading books, more robust risk assessment methodologies will be utilised to value assets and increased counterparty and market risk charges will be assessed for exposure to other financial institutions and securitised assets.

### *Leverage ratio*

A minimum 3 per cent. leverage ratio, measured against a bank's gross (and not risk-weighted) balance sheet, will be adopted on a trial basis until 2018 and definitively adopted in 2019.

### *Liquidity standards*

A "liquidity coverage ratio" requiring high quality liquid assets to equal or exceed certain cash outflows is expected to be adopted from 2015, thereby ensuring that a bank has sufficient high quality liquid assets to survive a one-month period of market stress. In addition, a "net stable funding ratio" requiring "available" stable funding sources to equal or exceed "required" stable funding will be adopted from 2018, thereby ensuring that a bank has access to capital or high quality funding to survive a one-year period of market stress.

The Central Bank issued guidelines on the implementation of Basel III in July 2012 under the heading "Liquidity Regulations at Banks" (see "*—Liquidity*" for further details). Since then, the Central Bank has been preparing local institutions for the implementation of the Basel III standards.

## **Liquidity**

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

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

UAE banks are mostly funded through on demand or time based customer deposits made by resident private individuals or resident private sector companies. According to the data made available by the Central Bank, together, these deposits constituted approximately 68.6 per cent. of total deposits of the UAE banking sector as at 31 December 2014. The UAE Federal Government and the public sector contributed approximately 26 per cent. as at 31 December 2014. Non-resident and other sources contributed approximately 13.4 per cent. as at the same date (source: Central Bank Quarterly Statistical Bulletin – December 2014).

In response to the global financial crisis, the Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to

posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the Central Bank.

In addition to these measures, the UAE Federal Government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE have converted the UAE Federal Government deposits made with them into Tier II capital.

During 2008, Abu Dhabi Government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier I capital notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi PJSC, Abu Dhabi Commercial Bank PJSC, First Gulf Bank PJSC, Union National Bank PJSC and Abu Dhabi Islamic Bank PJSC.

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

In line with Basel III requirements, the Central Bank issued Circular 30/2012 (“**Circular 30/2012**”) dated 12 July 2012 entitled “Liquidity Regulations at Banks”, which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in Circular 30/2012 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 for Banking Supervision recommendations and international best practices. These requirements (which, as at the date of this Base Prospectus, have not come into effect) 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 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.

Liquidity risk framework:

Circular 30/2012 requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular stress testing of the portfolio for a variety of scenarios; results being communicated to the board of directors and the Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans;
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework developed to reflect the actual cost of funding.

The quantitative requirements set out in Circular 30/2012 are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which are intended to apply until the Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio come into effect.

These include the following:

Interim ratios:	Liquid Assets Ratio (LAR>10%)	1 January 2013–December 2014
	Uses to Stable Resources Ratio (USRR<100%)	1 June 2013 – December 2017
Basel III ratios:	Liquidity Coverage Ratio (LCR>100%)	January 2015 onwards
	Net Stable Funding Ratio (NSFR>100%)	January 2018 onwards

The Liquid Assets Ratio (the “**LAR**”) was an interim ratio designed to apply until the Liquidity Coverage Ratio (the “**LCR**”) came into effect (as described below). Under the LAR, UAE banks were required to hold an amount equivalent to at least 10 per cent. of their liabilities in high quality liquid assets (including cash held with the Central Bank, the Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments). The Uses (of funds) to Stable Resources Ratio (the “**USRR**”) is an interim ratio designed to prepare UAE banks for the implementation on Net Stable Funding Ratio (the “**NSFR**”): (as described below). The USRR identifies key uses of funds as well as different types of funding sources used by banks. It assigns stability factors to sources of funds and required stable funding (usage) factors to asset classes.

The Liquidity Coverage Ratio (the “**LCR**”): This represents a 30 days 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 days stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with eligible liquid assets at the minimum LCR determined by the Central Bank.

The Basel III accord requires that this minimum is 100 per cent. Circular 30/2012 describes in detail eligible liquid assets for this purpose.

The Net Stable Funding Ratio (“**NSFR**”): This is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding (the “**ASF**”) factors to the sources of funds and required stable funding (the “**RSF**”) (usage) factors to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III NSFR standard.

As at the date of this Base Prospectus, the implementation of Circular 30/2012 has been suspended by the Central Bank. The Central Bank is currently in consultation with banks via the UAE Banking Federation on incoming liquidity guidelines and their implementation date.

On 15 April 2014, the Central Bank introduced the IMLF which is expected to enable non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access UAE Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF will let lenders use certain assets as collateral to obtain one-day overnight loans from the UAE Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral, but must carry a minimum 'A' credit rating from one of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE “Repo Rate”.

### **Reserve Requirements**

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

### **Credit Controls**

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

The Central Bank's Retail Circular introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. These regulations may be amended in the future in accordance with the Mortgage Regulations (which were published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013, superseding notice no. 3871/2012 dated 30 December 2012), which specifies that the amount of mortgage loans for non-nationals should not exceed 75 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5 million), 65 per cent. of the property value for a first purchase of a home (with a value greater than AED 5 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding

limits are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

## Large Exposures

The Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding a prescribed set of limits. Exposures above these limits are subject to Central Bank approval.

The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);
- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to Board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

On 11 November 2013, the Central Bank issued a circular (the 2013 Large Exposure Limits Circular) amending certain of the large exposure limits (defined as a percentage of the bank's capital base). The 2013 Large Exposure Limits Circular entered into force on 30 January 2014. UAE banks have until 10 December 2018 to meet the revised limits set out therein. The 2013 Large Exposure Limits Circular maintained limits introduced by a Central Bank circular published on 4 April 2012 (the “**2012 Central Bank Circular**”) 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 borrower. The 2013 Large Exposures Circular introduced limits on lending by banks to their employees and introduced a prohibition on lending to a bank's professional advisers. Exposures above these limits are subject to approval by the Central Bank. Set out below is a table showing a comparison between the exposure limits stipulated in the 2013 Large Exposure Limits Circular, following the 2012 Central Bank Circular, and those in place before the 2013 Large Exposure Limits Circular came into force (defined as a percentage of the bank's capital base calculated under Basel II):

Exposure	New Limit		Old Limit	
	Individual	Aggregate	Individual	Aggregate
UAE Federal Government their non-commercial entities	Exempt	Exempt	Exempt	Exempt
UAE local governments and their non-commercial entities	No limit for local government, 25 per cent for each of their non- commercial entity	100 per cent	25 per cent	100 per cent
Commercial entities of UAE federal government and UAE local government	25 per cent	100 per cent	25 per cent max 15 per cent funded	100 per cent

A Commercial or other (non commercial) private sector entities and individuals or a group of related entities	25 per cent	None	25 per cent max 10 per cent funded	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities	20 per cent	50 per cent	20 per cent max 10 per cent funded	50 per cent max 25 per cent funded
Inter-bank exposures of over one year	30 per cent	None	-	-
Bank's subsidiaries and affiliates	25 per cent	25 per cent	25 per cent	10 per cent
Board members	5 per cent	25 per cent	5 per cent	25 per cent
Bank employees	Maximum of 20 months' salary	3 per cent	-	-
Bank's external auditors, consultants and lawyers	Not allowed	Not allowed	-	-

### 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., on the relevant amount (net of any eligible credit protection) respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non- performing. Corporate loans are required to be classified as non-performing by exercising mature judgment. In addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the Central Bank on 11 November 2010, all banks in the UAE are required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. In practice, several banks operate more stringent policies and place loans on a non- accrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other countries.

### Financial Statements

The Central Bank has required all UAE banks to prepare their financial statements in accordance with International Financial Reporting Standards since 1999.



## TAXATION

### 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 acquiring, holding and disposing of Notes and receiving payments under the Notes. 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. 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 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 the Notes, nor will gains derived from the disposal of the 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 Cayman Issuer has applied for and expects to receive an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Cayman 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 on or in respect of the shares, debentures or other obligations (which includes the Notes) of the Cayman Issuer or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Law (as amended). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of 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 Cayman 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 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 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.*

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in

respect of payments of interest or principal on debt securities (including the Notes). In the event of the imposition of any such withholding, CBD has undertaken to gross-up any payments subject to such as described under "*Terms and Conditions of the Notes – Taxation*".

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into Double Taxation Arrangements with certain other countries, but these are not extensive in number.

### **EU Savings Directive**

Under Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "**EU Savings Directive**"), each member state is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain entities (as described in Article 4.2 of the EU Savings Directive, each a "**Residual Entity**") established in that other member state; however for a transitional period, Austria may instead apply a withholding system in relation to such payments. The end of this transitional period depends on the conclusion of certain other agreements relating to exchange of information with certain other countries.

A number of non EU countries, including Switzerland, ("**Third Countries**") and certain dependent or associated territories of certain member states ("**Dependent and Associated Territories**") have adopted similar measures (either provision of information or transitional withholding) in relation to payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or Residual Entities established in another member state, or certain Third Countries or Dependent and Associated Territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member states have until 1 January 2016 to adopt national legislation to comply with the Amending Directive (and such national legislation must apply from 1 January 2017). The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

The EU Savings Directive may, however, be repealed in due course in order to avoid overlap with the amended Council Directive 2011/16/EU on administrative cooperation in the field of taxation, pursuant to which member states will be required to apply other new measures on mandatory automatic exchange of information from 1 January 2016.

### **The Proposed Financial Transactions Tax (FTT)**

On 14 February 2013, the European Commission issued a proposal (the "**Commission's Proposal**"), including a draft directive, for a financial transaction tax ("**FTT**") to be adopted in certain participating EU Member States (Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in 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: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a “**foreign financial institution**”, or “**FFI**” (as defined by FATCA)) that does not become a “**Participating FFI**” by entering into an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of the Issuer (a “**Recalcitrant Holder**”). The Obligor is classified as FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to “**foreign passthru payments**” (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the “**grandfathering date**”, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterized as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an “**IGA**”). Pursuant to FATCA and the “**Model 1**” and “**Model 2**” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “**Reporting FI**” not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being “**FATCA Withholding**”) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

On 29 November 2013, the Cayman Islands government entered into a Model 1 non-reciprocal IGA with the US (the “**US-Cayman Islands IGA**”) in connection with the implementation of FATCA. The US-Cayman Islands IGA is intended to result in the automatic exchange of tax information under FATCA, which came into force on 14 April 2014. The two governments have also signed a Tax Information Exchange Agreement which outlines the legal channels through which tax information will automatically be exchanged.

On 4 July 2014, the Cayman Islands government issued The Tax Information Authority (International Tax Compliance) (United States of America) Regulations, 2014 (the “**US FATCA Regulations**”) to accompany The Tax Information Authority Law (2013 Revision) (the “**TIA Law**”). The US FATCA Regulations implement the provisions of the US-Cayman Islands IGA.

In addition, the Cayman Islands government entered into a model 1B non-reciprocal inter-governmental agreement with the UK (the “**UK IGA**”) on 5 November 2013. On 4 July 2014, the Cayman Islands government issued The Tax Information Authority (International Tax Compliance) (United Kingdom) Regulations, 2014 (the “**UK FATCA Regulations**”) to accompany the TIA Law to implement the UK IGA. .

The US and the UAE have reached an agreement in substance on the terms of an IGA based largely on the Model 1 IGA. The UAE will be treated as having a Model 1 IGA in effect (the “**US-UAE Model 1 IGA**”) provided that the UAE demonstrates a firm resolve to sign the IGA as soon as possible.

The Obligors expect to be treated as a Reporting FI pursuant to the US-UAE IGA and the Cayman Islands IGA and do not anticipate being obliged to deduct any FATCA Withholding on any payments they make. If an Obligor becomes a Participating FFI under FATCA, that Obligor and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the relevant Obligors and any paying agent, given that each of the entities in the payment chain between the relevant Obligors and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive Notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuers and to payments they may receive in connection with the Notes.**

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the “**Programme Agreement**”) dated 17 June 2015, agreed with the Obligors the 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 Obligors have 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 Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this 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 United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and Treasury 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, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, 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. 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.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) 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 Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Obligors for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision: (i) the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant 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 to the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and (ii) the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU ), and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

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 relevant Obligors; 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 United Kingdom.

### **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**”) and 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 (which term as used herein means any person resident in Japan including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws and regulations of Japan.

## Republic of Italy

The offering of Notes has not been cleared by the *Commissione Nazionale per la Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation. 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, sold or delivered, directly or indirectly, any Notes to the public in the Republic of Italy.

For the purposes of this provision, the expression “**offer of Notes to the public**” in Italy 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 the Notes, including the placement through authorised intermediaries.

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, directly or indirectly, any Note or distribute copies of this Base Prospectus or of any other document relating to the Notes in the Republic of Italy except:

- (a) to qualified investors (“*investitori qualificati*”), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Italian Financial Act**”) as implemented by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended (“**Regulation No. 16190**”), pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (“**Regulation No. 11971**”); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB regulations including Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restriction under (a) and (b) above and:

- (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation No. 16190, Legislative Decree No. 385 of September 1, 1993 as amended (the “**Banking Act**”) and any other applicable laws or regulation;
- (ii) in compliance with Article 129, of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or the Bank of Italy or other Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer, sale, delivery or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations.

## Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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, except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”), other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); (ii) to “professional investors” as defined in the SFO and any rules made under the SFO; or (iii) in

other circumstances which do not result in the document being a “**Prospectus**” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**Companies Ordinance**”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents or which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 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.

### **The PRC**

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan), except as permitted by the securities laws of the PRC.

### **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 United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates 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**”); and
- (b) made only to persons who meet the “Professional Client” criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

### **Kingdom of Saudi Arabia**

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires Notes pursuant to any offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the “Offer of Securities Regulations” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the “**KSA Regulations**”). The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “**sophisticated investors**” under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of 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 the Notes will comply with the KSA Regulations.

Each offer of Notes shall not therefore constitute a “public offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 10 and/or Article 11 of the KSA Regulations may not offer or sell those Notes to any person



unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Notes are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Notes in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

### **Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no invitation or offer, whether directly or indirectly, to subscribe for the Notes has been or will be made to the public in the Cayman Islands.

### **Kingdom of Bahrain**

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has not offered or sold, and will not offer or sell any Notes except on a private placement basis to persons in 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;
- (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).

### **Qatar (excluding 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 or sold, and will not offer or sell, directly or indirectly, any Notes in Qatar, except (i) in compliance with all applicable laws and regulations of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

### **Malaysia**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) 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 (the "**CMSA**"); and
- (b) accordingly, the Notes have not been and will not be offered, sold or delivered, 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 in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (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, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Obligors nor any of the other Dealers shall have any responsibility therefor.

None of the Obligors or 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 such sale. Persons into whose possession this Base Prospectus 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.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions as the relevant Obligors and the relevant Dealer shall agree and as shall be set out in the relevant subscription agreement or dealer confirmation letter (howsoever described), as the case may be.

## **GENERAL INFORMATION**

### **Authorisations**

The establishment of the Programme has been duly authorised by a resolution of the Board of Directors of CBD dated 9 July 2008. The update of the Programme and the issuance of Notes thereunder has been duly authorised by a resolution of the Board of Directors of CBD dated 22 April 2015.

Pursuant to a resolution of CBD's shareholders dated 5 March 2014, CBD is, as at the date of this Base Prospectus, authorised by its shareholders to issue Notes under the Programme in an aggregate nominal amount of U.S.\$2,000,000,000 (or its equivalent in any other currency (as determined in accordance with the Programme Agreement)). CBD has agreed in the Programme Agreement that, as a result of the coming into force of the New UAE Commercial Companies Law on 1 July 2015, it will be a condition precedent to the issue of any Notes by CBD on or after 1 July 2015 that a further approval of its shareholders will be required to be obtained prior to such issuance.

The addition of the Cayman Issuer as issuer under the Programme, the update of the Programme and the issuance of Notes thereunder have been duly authorised by a resolution of the Board of Directors of the Cayman Issuer dated 3 June 2015.

### **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 Main Securities 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 Directive. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Application will be made to the Irish Stock Exchange 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 its Main Securities Market. Such approval relates only to the Notes which are to be admitted to trading on a MiFID Regulated Market and/or which are to be offered to the public in any Member State.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuers in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

### **Documents Available**

For the period of 12 months following the date of this Base Prospectus, physical copies of the following documents will, when published, be available for inspection from the registered office of CBD and from the specified office of the Paying Agent for the time being in London:

- (a) the Memorandum and Articles of Association of the Cayman Issuer and the Memorandum and Articles of Association (with an English translation thereof) of CBD;
- (b) the audited consolidated financial statements of CBD in respect of the financial years ended 31 December 2013 and 31 December 2014. CBD currently prepares audited consolidated financial statements only on an annual basis;
- (c) the unaudited condensed consolidated interim financial statements of CBD as at and for the three months ended 31 March 2015;

- (d) when available, the most recently published audited consolidated annual financial statements of CBD and the most recently published unaudited condensed consolidated interim financial statements (if any) of CBD in each case together with any audit or review reports prepared in connection therewith. CBD currently prepares unaudited reviewed condensed consolidated interim financial statements on a quarterly basis;
- (e) the Programme Agreement, the Agency Agreement, the Guarantee, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (f) a copy of this Base Prospectus;
- (g) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated therein by reference; and
- (h) in the case of each issue of Notes admitted to trading on the Main Securities Market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### **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, *société anonyme*, 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 relevant Obligors and each 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 or trading position of the Cayman Issuer, and there has been no material adverse change in the financial position or prospects of the Cayman Issuer, since the date of its incorporation.

There has been no significant change in the financial or trading position of CBD and its subsidiaries taken as a whole since 31 March 2015, and there has been no material adverse change in the financial position or prospects of CBD since 31 December 2014

### **Litigation**

The Group 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 Cayman Issuer or CBD 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 Group.

### **Auditors**

The auditors of CBD are Ernst & Young Middle East (Dubai Branch). Ernst & Young Middle East (Dubai Branch) were first appointed as auditors of CBD in the annual general meeting held on 13 March 2013 and have subsequently been reappointed in the annual general meetings held on 5 March 2014 and 4 March 2015 respectively. There is no professional institute of auditors in the UAE and,

accordingly, Ernst & Young Middle East (Dubai Branch) is not a member of a professional body in the UAE. All of Ernst & Young Middle East (Dubai Branch) audit partners are members of the institutes from where they received their professional qualification.

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

#### **Dealers transacting with the Cayman Issuer and CBD**

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 Cayman Issuer, CBD 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 Cayman Issuer or CBD, or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with CBD routinely hedge their credit exposure to the CBD 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.

**The Cayman Issuer**

**CBD (Cayman) Limited**  
**c/o Intertrust Corporate Services (Cayman)**  
**Limited**  
190 Elgin Avenue, George Town  
Grand Cayman KY1-9005  
Cayman Islands

**CBD**

**Commercial Bank of Dubai P.S.C.**  
Al Ittihad Street  
P.O. Box 2668  
Dubai  
United Arab Emirates

**ISSUING AND PRINCIPAL PAYING AGENT AND OTHER PAYING AGENT**

**Citibank N.A., London Branch**

Agency and Trust Services  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**REGISTRAR**

**Citigroup Global Markets**

**Deutschland AG**

Reuterweg 16  
60323 Frankfurt  
Federal Republic of Germany

**LEGAL ADVISERS**

*To the Dealers as to English and UAE law*

**White & Case LLP**

16<sup>th</sup> Floor  
Al Sila Tower  
Abu Dhabi Global Market Square  
PO Box 128616  
Abu Dhabi  
United Arab Emirates

*To CBD (Cayman) Limited as to Cayman Islands law*

**Walkers (Dubai) LLP**

5<sup>th</sup> Floor  
The Exchange Building Dubai  
International Financial Centre  
PO Box 506513  
Dubai  
United Arab Emirates

*To CBD (Cayman) Limited and CBD as to English law*

**Dentons UKMEA LLP**

One Fleet Place  
London EC4M 7WS  
United Kingdom

*To CBD as to UAE law*

**Dentons & Co.**

Level 18, Boulevard Plaza 2  
Burj Khalifa District  
PO Box 1756 Dubai  
United Arab Emirates

**AUDITORS**

**Ernst & Young Middle East (Dubai Branch)**

28th Floor, Al Saqr Business Tower  
Sheikh Zayed Road  
P.O. Box 9267 Dubai  
United Arab Emirates

## DEALERS

**Banca IMI S.p.A.**

Largo Mattioli 3  
20121 Milan  
Italy

**Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Commerzbank Aktiengesellschaft**

Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

**ING Bank N.V.**

Foppingadreef 7  
1102 BD, Amsterdam  
The Netherlands

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London  
E14 5JP  
United Kingdom

**National Bank of Abu Dhabi P.J.S.C.**

One NBAD Tower  
Sheikh Khalifa Street  
P.O. Box 4  
Abu Dhabi  
United Arab Emirates

**Natixis**

30 Avenue Pierre Mendès France  
75013 Paris  
France

**Standard Chartered Bank**

P.O. Box 999  
Dubai  
United Arab Emirates

## IRISH LISTING AGENT

**Arthur Cox Listing Services Limited**

Earlsfort Centre  
Earlsfort Terrace  
Dublin 2  
Ireland