



ABU DHABI COMMERCIAL BANK P.J.S.C

(incorporated with limited liability in Abu Dhabi, United Arab Emirates)

U.S.\$6,000,000,000 Euro Medium Term Note Programme

Under this U.S.\$6,000,000,000 Euro Medium Term Note Programme (the **Programme**), Abu Dhabi Commercial Bank P.J.S.C. (the **Issuer** or **ADCB**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$6,000,000,000 (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 “*Description of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus 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.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**).

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10th July, 2005 on prospectuses for securities to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Luxembourg Stock Exchange.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are 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, with respect to Notes to be listed on the Official List of the Luxembourg Stock Exchange, will be filed with the CSSF.

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

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

Arranger

HSBC

Dealers

Banc of America Securities Limited

Citi

Deutsche Bank

HSBC

BNP PARIBAS

Daiwa Securities SMBC Europe

Dresdner Kleinwort

JPMorgan

Standard Chartered Bank

The date of this Base Prospectus is 11th June, 2007.

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

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

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 or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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.

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer 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 or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of ADCB since the date of this Base Prospectus. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the *Securities Act*) and 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. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer 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), Japan and the United Arab Emirates, see “*Subscription and Sale*”.

All references in this document to *U.S. dollars*, *U.S.\$* and *\$* refer to United States dollars and all references to *dirham* and *AED* refer to United Arab Emirates dirham. In addition, references to *euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final 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 Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer 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 Issuer's ability to fulfil its obligations under Notes issued under the Programme

General

Investors should note that the Issuer is a UAE company and is incorporated in and has its operations and the majority of its assets located in the UAE. Accordingly there may be insufficient assets of the Issuer located outside the UAE to satisfy in whole or part any judgment obtained from an English court relating to amounts owing under the Notes. If investors were to seek enforcement of an English judgment in the UAE or to bring proceedings in relation to the Notes in the UAE, then certain limitations would apply (see "*Enforcing foreign judgments in Abu Dhabi*" below).

Factors relating to UAE

The Issuer has all its operations and the majority of its assets in the UAE and accordingly its business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East generally. Investors are advised to make, and will be deemed by the Dealers and the Issuer to have made, their own investigations in relation to such factors before making any investment decisions in relation to the Notes.

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

Enforcing foreign judgments in Abu Dhabi

Under the Conditions of the Notes, the courts of England have exclusive jurisdiction to settle any dispute arising from the Notes and any dispute arising from or connected with the Notes may alternatively be referred to arbitration in Paris in accordance with the rules of the London Court of International Arbitration. Under current Abu Dhabi law, the courts are unlikely to enforce an English judgement or Parisian Arbitral award 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.

Judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors create greater judicial uncertainty.

Foreign exchange movements may adversely affect the Issuer's profitability

The Issuer maintains its accounts, and reports its results, in AED. The UAE dirham has been 'pegged' at a fixed exchange rate to the U.S. dollar since 22nd November, 1980. The Issuer is exposed to the potential impact of any alternation to, or abolition of, this foreign exchange 'peg'.

Political, Economic and Related Considerations

The UAE has enjoyed significant economic growth and relative political stability. 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. The Issuer may also be adversely affected generally by political and economic developments in or affecting the UAE.

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

The Issuer's business may be affected if there are geo-political events that prevent the Issuer from delivering its services. It is not possible to predict the occurrence of events or circumstances such as or similar to a war or the impact of such occurrences and no assurance can be given that the Issuer would be able to sustain its current profit levels if such events or circumstances were to occur. A downturn or instability in certain sectors of the UAE or regional economy could have an adverse effect on the Issuer's business, financial condition, results of operations or prospects.

Investors should be aware that these markets are subject to risks similar to other developed markets, including in some cases significant legal, economic and political risks. Traditionally the oil and gas industry has been the basis of the development in the economy, which means that economic development has been impacted by the general level of oil and gas prices. With the development of other economic sectors, the oil and gas contribution to the GDP is currently around 30 per cent.

The Issuer's financial performance is affected by general economic conditions

Risks arising from changes in credit quality and the recoverability of amounts due from borrowers and counterparties are inherent in banking businesses. Adverse changes in global economic conditions, or arising from systemic risks in the financial systems, could affect the recovery and value of the Issuer's assets and require an increase in the Issuer's provisions. The Issuer uses different hedging strategies to minimise risk, including securities, collaterals and insurance that reduce the credit risk level to be within the Issuer strategy and risk appetite. However, there can be no guarantee that such measures will eliminate or reduce such risks.

Principal Shareholder

The Issuer's principal beneficial shareholder is the Government of Abu Dhabi, holding 64.8 per cent. of the Issuer's share capital. By virtue of such shareholding, the Government has the ability to influence the Issuer's business significantly through their ability to control actions that require shareholder approval. If circumstances were to arise where the interests of the Government conflicts with the interests of the Noteholders, Noteholders could be disadvantaged by any such conflict.

No Third Party Guarantees

Investors should be aware that no guarantee is given in relation to the Notes by the shareholders of the Issuer or any other person.

Loan Portfolio Growth

The Issuer's commercial loans and advances net of allowances and provisions have increased in recent years, growing from AED 42.2 billion at 31 December, 2005 to AED 62.4 billion at 31 December, 2006. The significant increase in the loan portfolio size has increased the Issuer's credit exposure.

In addition, the Issuer's strategy of further diversifying its customer base, including through increased lending to medium and small corporate clients and retail customers, may also increase the credit risk exposure in the Issuer's loan portfolio. Failure to manage growth and development successfully and to maintain the quality of its assets could have an adverse effect on the Issuer's business, financial condition, results of operations or prospects.

Concentration of Lending Base

As at 31st December, 2006, the Issuer's ten major borrowers accounted for 28.3 per cent. of its net loan portfolio, compared to 23.5 per cent. as at 31st December, 2005. Any default by one or more of these borrowers could have an adverse effect on the Issuer's business, financial condition, results of operations or prospects.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

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 should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have 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) have 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) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be 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 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.

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 those times, 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.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (a) the market price of such Notes may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar or related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes 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 or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Issuer's obligations under Subordinated Notes are subordinated

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and, upon the occurrence of any winding up proceedings with respect to the Issuer, will rank junior in priority of payment to obligations owed to Senior Creditors. **Senior Creditors** means all creditors of the Issuer (including depositors) 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. In addition, Condition 2.2 requires each holder of Subordinated Notes unconditionally and irrevocably to waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of its Notes.

Although Subordinated Notes pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

Risks related to Notes generally

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

Modification

The 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 EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The 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.

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 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 definitive Notes 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.

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. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. 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 subsequent changes in market interest rates may 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 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.

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 (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) 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.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the reports and financial statements for the years ended December 31, 2006 and December 31, 2005 (together with the relevant auditors reports) and the review report and interim condensed financial statements for the period ended March 31, 2007 (together with the relevant auditors review report) of the Issuer; and
- (b) the memorandum and articles of association of the Issuer.

For ease of reference the documents incorporated by reference into this Base Prospectus can be found on the following pages of the Issuer's 2005 and 2006 annual reports and its reviewed financial statements for the three months ended 31 March 2007:

2005 Annual Report

Auditor's report	page 21
Consolidated Balance sheet	page 22
Consolidated Income Statement	page 23
Consolidated Statement of Cash Flows	page 26
Notes to the accounts (including a summary of significant accounting policies)	pages 27-62

2006 Audited Financial Statements

Auditor's report	pages 1-2
Consolidated Balance sheet	page 3
Consolidated Income Statement	page 4
Consolidated Statement of Cash Flows	page 7
Notes to the accounts (including a summary of significant accounting policies)	pages 8-30

2007 Reviewed Financial Statements⁽¹⁾

Auditor's review report	page 1
Consolidated Balance sheet	page 2
Consolidated Income Statement	page 3
Consolidated Statement of Cash Flows	page 5
Notes to the accounts (including a summary of significant accounting policies)	pages 6-17

Note:

- (1) For the three months ended 31 March.

Any information not listed in the cross reference list above but included in the documents incorporated by reference is given for information purposes only. Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF 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 the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg and are also available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Issuer 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.

DESCRIPTION OF THE PROGRAMME

This description must be read as an introduction to this Base Prospectus. Any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference, by any investor. This description 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.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this description.

Issuer: Abu Dhabi Commercial Bank P.J.S.C. ADCB is a public joint stock company incorporated in the Emirate of Abu Dhabi, United Arab Emirates (the UAE).

Since its incorporation in May 1985, the Government of Abu Dhabi has always held a controlling interest of at least 60 per cent. in ADCB. The Government of Abu Dhabi currently holds a 64.8 per cent. stake and a further 15.1 per cent. is held by the Department of Private Affairs which acts as the investment arm of the Ruling Family of Abu Dhabi, bringing the total government shareholding to approximately 80 per cent. A diverse base of UAE shareholders holds the remaining 20 per cent.

ADCB has a network of 42 branches in the United Arab Emirates and two branches in India and employed 1,873 employees at 31st December, 2006. ADCB’s total assets at 31st December, 2006 were AED 81.1 billion and its net profit for the year ended on that date was AED 2,147.2 million. ADCB is listed on the Abu Dhabi Securities Market and had a market capitalisation of approximately AED 23.28 billion (U.S.\$6.3 billion) at 31st December, 2006.

Risk Factors: There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes issued under the Programme. These are set out under “*Risk Factors*” and include risks relating to the political and economic environment in the UAE and the Middle East generally, risks relating to the ability to enforce judgments in Abu Dhabi and general banking risks including exchange rate and credit risks. 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 the fact that the Notes may not be a suitable investment for all investors, 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:	<p>Banc of America Securities Limited BNP Paribas Citigroup Global Markets Limited Daiwa Securities SMBC Europe Limited Deutsche Bank AG, London Branch Dresdner Bank Aktiengesellschaft HSBC Bank plc J.P. Morgan Securities Ltd. Standard Chartered Bank</p> <p>and any other Dealers appointed in accordance with the Programme Agreement.</p>
Certain Restrictions:	<p>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.</p> <p>Notes having a maturity of less than one year</p> <p>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>”).</p>
Issuing and Principal Paying Agent:	HSBC Bank plc.
Programme Size:	Up to U.S.\$6,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination:	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 4.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes:	The Notes will be issued in bearer form as described in “ <i>Form of the Notes</i> ”.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p> <p>Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "<i>Certain Restrictions - Notes having a maturity of less than one year</i>" above.</p>
Denomination of Notes:	<p>The Notes will be issued in such denominations as may be agreed between the Issuer 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 "<i>Certain Restrictions - Notes having a maturity of less than one year</i>" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).</p>
Taxation:	<p>All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.</p>
Negative Pledge:	<p>The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 3.</p>
Cross Default:	<p>The terms of the Senior Notes will contain a cross default provision as further described in Condition 10.</p>
Status of the Senior Notes:	<p>The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and will rank <i>pari passu</i> 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.</p>
Status and Subordination of the Subordinated Notes:	<p>The Subordinated Notes are direct, conditional (as described in Condition 2.2) and unsecured obligations of the Issuer. Payments in respect of the Subordinated Notes will be subordinated as described in Condition 2.2.</p>

Rating:	The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms.
Approval, Listing and Admission to trading:	<p>Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer 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.</p> <p>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.</p>
Governing Law:	The Notes will be governed by, and 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), Japan and the United Arab Emirates and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see " <i>Subscription and Sale</i> ").

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Whilst any Note is represented by a Temporary 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 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 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 Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive 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 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 Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) 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 Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the 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 Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such 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 Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a 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.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the 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, 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 at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

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 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then 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 14th June, 2005 and executed by the Issuer.

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]

ABU DHABI COMMERCIAL BANK P.J.S.C.

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

under the U.S.\$6,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 11th June, 2007 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (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. 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. Copies of the Base Prospectus are available for viewing at Abu Dhabi Commercial Bank P.J.S.C., P.O. Box 939, Abu Dhabi, United Arab Emirates and copies may be obtained from Abu Dhabi Commercial Bank P.J.S.C., P.O. Box 939, Abu Dhabi, United Arab Emirates and Dexia Banque Internationale à Luxembourg, 69 route d'Esch, L-2953 Luxembourg. The Base Prospectus and the Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[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.]

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*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated 11th June, 2007 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [*original date*] and are attached hereto. 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 Prospectuses dated 11th June, 2007 and [*original date*]. Copies of such Base Prospectuses are available for viewing at Abu Dhabi Commercial Bank P.J.S.C., P.O. Box 939, Abu Dhabi, United Arab Emirates and copies may be obtained from Abu Dhabi Commercial Bank P.J.S.C., P.O. Box 939, Abu Dhabi, United Arab Emirates and Dexia Banque Internationale à Luxembourg, 69, route d'Esch, L-2953 Luxembourg. The Base Prospectus and the Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu.)

[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]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

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

1. Issuer: Abu Dhabi Commercial Bank P.J.S.C.
2. (a) Series Number: []
(b) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount of Notes admitted to trading:
(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: []
(Note – where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:
“€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000. No Notes in definitive form will be issued with a denomination above €99,000.”)
(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 €50,000 minimum denomination is not required)
(b) Calculation Amount *(Applicable to Notes in definitive form.)* *(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: []
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]
 [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Dual Currency Interest]
 [specify other]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency Redemption]
 [Partly Paid]
 [Instalment]
 [specify other]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
13. Status of the Notes: [Senior] [Subordinated]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. 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 annually/semi annually/quarterly] in arrear
(If payable other than annually, consider amending Condition 5)
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]
(N.B. This will need to be amended in the case of long or short coupons)
- (c) Fixed Coupon Amount(s): [] per Calculation Amount in nominal amount
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
(Applicable to Notes in definitive form.)

- (e) Day Count Fraction: [30/360 or Actual/Actual (ISMA) or *[specify other]*]
- (f) Determination Date(s): [] in each year
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon
 N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration
 N.B. Only relevant where Day Count Fraction is Actual/Actual (ISMA)]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/*Give details*]
16. 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: []
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*]
- (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/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (f) Screen Rate Determination:
- (i) Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)
- (ii) 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 and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- (iii) Relevant Screen Page: []

(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

- (g) ISDA Determination:
- (i) Floating Rate Option: []
 - (ii) Designated Maturity: []
 - (iii) Reset Date: []
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Day Count Fraction: [Actual/365
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
Other]
(See Condition 5 for alternatives)
- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions []
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) Any other formula/basis of determining amount payable: []
 - (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.5(c) and 7.10 apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: [give or annex details]
 - (b) Calculation Agent responsible for calculating the interest due: []

- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (d) Specified Period(s)/Specified Interest Payment Dates: []
- (e) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]*
- (f) Additional Business Centre(s): []
- (g) Minimum Rate of Interest: [] per cent. per annum
- (h) Maximum Rate of Interest: [] per cent. per annum
- (i) Day Count Fraction: []
19. Dual Currency Interest Note Provisions *[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: *[give details]*
- (b) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (c) Calculation Agent, if any, responsible for calculating the interest payable: []
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

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 and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []

- (d) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
21. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (c) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
22. Final Redemption Amount: [[] per Calculation Amount/specify other/see Appendix]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): [[] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. 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 5 includes language substantially to the following effect: "€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000.")

25. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(f) relate)
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
28. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
29. 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))
30. Other final terms: [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

31. (a) If syndicated, names of Managers: [Not Applicable/give names]

- (b) Date of Subscription Agreement: [Date]
- (c) Stabilising Manager (if any): [Not Applicable/give name]
- 32. If non-syndicated, name of relevant Dealer: [Name]
- 33. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
- 34. Additional selling restrictions: [Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.\$6,000,000,000 Euro Medium Term Note Programme of Abu Dhabi Commercial Bank P.J.S.C.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. BOARD RESOLUTION

Date of board resolution authorising the issue []

2. LISTING AND ADMISSION TO TRADING

(i) Listing: [Luxembourg/other (specify)/None]

(ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [] with effect from [].]
[Not Applicable]

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)

(iii) Estimate of total expenses related to admission to trading: []

3. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: []]

[Moody's: []]

[[Other]: []]

(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.)

4. [NOTIFICATION

The *Commission de surveillance du secteur financier* [has been requested to provide/has provided -include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - Amend as appropriate if there are other interests]

6. REASONS FOR THE OFFER; ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the Offer: []
(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

(ii) Estimated net proceeds: []
[]
(If the proceeds are intended for more than one use, will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)

(iii) Estimated total expenses: [Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.]
(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks regardless of the minimum denomination of the securities and where this is the case disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.

7. 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.

8. NAME OF INDEX/DESCRIPTION OF INDEX/PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index Linked Notes only)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Where the underlying is a security need to include the name of the issuer of the security and the International Securities Identification Number (ISIN) or equivalent identification number. Where the underlying is a basket of underlying, need to include the relevant weightings of each underlying in the basket. Need to include a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying (if applicable).]

9. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

10. OPERATIONAL INFORMATION

(i) ISIN Code: []

(ii) Common Code: []

- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): []

TERMS AND CONDITIONS OF THE NOTES

The following 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 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 in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. 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 Abu Dhabi Commercial Bank P.J.S.C. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

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

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 6th June, 2006 and made between the Issuer, HSBC Bank plc as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, 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. Definitive Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, 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**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are 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 the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and 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 are (a) expressed to be consolidated and form a single series and (b)

identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 14th June, 2005 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 and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the specified office of each of the Paying Agents and copies may be obtained from the registered office of the Issuer, P.O. Box 939, Salam Street, Abu Dhabi, the United Arab Emirates. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

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

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

This Note is a Senior Note or a Subordinated Note depending upon the status specified in the applicable Final Terms.

Definitive 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 Notes, Receipts and Coupons will pass by delivery. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon 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 S.A./N.V. (**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 or proven error) shall be treated by the Issuer and the Paying

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 Global Note shall be treated by the Issuer and any Paying 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 the applicable Final Terms.

2. STATUS

2.1 Status of the Senior Notes

The Senior Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) 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.

2.2 Status of the Subordinated Notes

The Subordinated Notes and any relative Receipts and 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. For this purpose the Issuer shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its assets exceed its liabilities, and the **Senior Creditors** shall mean creditors of the Issuer (including depositors) 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 Noteholders.

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 payment obligations under the Subordinated Notes.

3. NEGATIVE PLEDGE

This Condition 3 only applies to Senior Notes.

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness or Guarantee of Indebtedness, other than a Permitted Security Interest, without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by Extraordinary Resolution (as defined in the Agency Agreement).

In these Conditions:

Guarantee means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

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

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

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 30 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

Permitted Security Interest means:

- (i) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;
- (ii) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising;
- (iii) any Security Interest arising in the ordinary course of banking transactions (such as sale and repurchase transactions and share, loan and bond lending transactions) provided that the Security Interest is limited to the assets which are the subject of the relevant transaction; and
- (iv) any other Security Interest provided that the aggregate outstanding amount secured by that Security Interest and any other Security Interest permitted to be created and in

effect under this Condition 3 does not, at any time, exceed 10 per cent. of the aggregate share capital and reserves of the Issuer as shown in its most recent audited consolidated (if then prepared by the Issuer) or non-consolidated (if consolidated financial statements are not then prepared by the Issuer) financial statements prepared in accordance with International Financial Reporting Standards.

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;

Security Interest means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

Subsidiary means in relation to any Person (the **first person**) at any particular time, any other Person (the **second person**):

- (i) whose affairs and policies the first Person controls or has power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

4. REDENOMINATION

4.1 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, 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 and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the 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 denomination of euro 50,000 and/or such higher amounts as the Agent may determine and notify to the Noteholders and any remaining amounts less than euro 50,000 shall

be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 6; 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 Agent may approve) euro 0.01 and such other denominations as the 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, Receipts 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 and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the 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, the Receipts 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;
- (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; 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 comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate 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; and

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

4.2 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 Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to 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 4.1 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 50,000 and which are admitted to trading on a regulated market in the European Economic Area; and

Treaty means the Treaty establishing the European Community, as amended.

5. INTEREST

5.1 Interest on Fixed Rate Notes

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

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

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, if they are Partly Paid Notes, the aggregate amount paid up); 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 comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate 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 means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (a) if “Actual/Actual (ISMA)” is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest

Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

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

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.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

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

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

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

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

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

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) 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 (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the TARGET System) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest 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 Agent under an interest rate swap transaction if the 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 either (I) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (II) in any other case, as 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 which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) 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 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 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.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable 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 Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, 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. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

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

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest 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 or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such 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 means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if “Actual/365” 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 (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) 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 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (A) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month

that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

- (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 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(e) Notification of Rate of Interest and Interest Amounts

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

(f) Certificates to be final

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

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.5 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, upon due

presentation thereof, 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 Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); 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.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

6.2 Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive 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, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or 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 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive 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, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive 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 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 Note.

6.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive 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, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 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 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 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 Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make

- payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the 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, adverse tax consequences to the Issuer.

6.5 Payment Day

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) the relevant place of presentation;
 - (ii) London;
 - (iii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (i) 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 (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET System is open.

6.6 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 8;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

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

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

The Notes may (subject, in the case of Subordinated Notes, to the prior approval of the Central Bank of the United Arab Emirates (the **Regulator**, which expression shall include any successor thereto as the relevant regulator of banks in the United Arab Emirates) where required) be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) 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 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 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 Agent 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 an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Agent;

(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 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

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

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, 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. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

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 at any time during normal business hours of such Paying Agent 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 (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition 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 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 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 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 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred, in which event such holder, at its option, may elect by notice to the Issuer to

withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.5 Early Redemption Amounts

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

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid 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, or determined in the manner 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 a fraction the numerator of which is 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 of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

7.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5.

7.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

7.8 Purchases

The Issuer or any Subsidiary of the Issuer 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 Notes, all unmatured Receipts, 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, surrendered to any Paying Agent for cancellation.

7.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

7.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(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 Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer 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 will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts 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, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in a Tax Jurisdiction; or
- (b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt 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 6.5); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC 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, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) **Tax Jurisdiction** means the United Arab Emirates or any Emirate therein or 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 Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

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

10. EVENTS OF DEFAULT

10.1 Event of Default for Senior Notes

This Condition 10.1 only applies to Senior Notes.

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

- (a) **Non Payment:** default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) **Breach of Obligations:** the Issuer fails to perform or observe any of its other obligations under the Conditions 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 of notice requiring the same to be remedied; or
- (c) **Cross Default:** (i) any Indebtedness of the Issuer or any of its Principal Subsidiaries 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 or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness, provided that 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.\$5,000,000 (or its equivalent in any other currency or currencies); or
- (d) **Unsatisfied Judgments:** one or more final non-appealable judgments or orders for the payment of any sum which amount shall not be less than U.S.\$5,000,000 is rendered against the Issuer or any of its Principal Subsidiaries and continues unsatisfied and unstayed for a period of 30 days after the service of any Noteholder on the Issuer of notice requiring the same to be remedied/paid;

- (e) **Liquidation and Other Events:**
- (i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or
 - (ii) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
 - (iii) (A) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer or the relevant Principal 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 or any of its Principal Subsidiaries 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 (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
 - (iv) the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
 - (v) any event occurs which under the laws of the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iv) above;
- (f) **Illegality:** at any time it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Notes or any of the material obligations of the Issuer thereunder are not or cease to be legal, valid, binding or enforceable; or
- (g) **Nationalisation etc.:** by or under the authority of any government, (i) the management of the Issuer or any of its Principal Subsidiaries is wholly or partially displaced or the authority of the Issuer or any Principal Subsidiary in the conduct of its business is wholly or partially curtailed or (ii) all or a majority of the issued share capital of the Issuer or any Principal Subsidiary or the whole or any part (the book value of which is 20 per cent. or more of the book value of the whole) of its revenues or assets is seized, nationalised, expropriated or compulsorily acquired; or

- (h) **Change of Control:** the Government of Abu Dhabi at any time ceases to own not less than 50 per cent. of the issued share capital of the Issuer; or
- (i) **Events effecting the UAE's IMF membership:** the United Arab Emirates ceases to be a member in good standing or becomes ineligible to use the resources of the International Monetary Fund,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the 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.

For the purposes of this Condition, a **Principal Subsidiary** is a Subsidiary of the Issuer the book value of the assets of which exceeds five per cent. of the book value of the consolidated assets of the Issuer and its Subsidiaries, taken as a whole, or the revenues of which exceed five per cent. of the consolidated revenues of the Issuer and its Subsidiaries, taken as a whole and, for these purposes:

- (i) the book value of the assets and the revenues of each Subsidiary which is, or might be, a Principal Subsidiary shall be determined by reference to its then most recently audited annual financial statements (consolidated if the same are prepared) or, if none, its then most recent annual management accounts; and
- (ii) the book value of the consolidated assets and the consolidated revenues of Issuer and its Subsidiaries, taken as a whole, shall be determined by reference to the Issuer's then most recently audited consolidated annual financial statements;

all as more fully set out in the Agency Agreement. A report by two Directors of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or through any particular period a Principal Subsidiary shall (in the absence of manifest or proven error) be conclusive and binding on the parties.

10.2 Events of Default for Subordinated Notes

This Condition 10.2 only applies to Subordinated Notes.

(a) Non Payment

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

(b) Liquidation and other events

If any one or more of the following events shall occur and be continuing:

- (i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or
- (ii) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (iii) (A) proceedings are initiated against the Issuer 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), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Issuer, 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 the Issuer and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- (iv) the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (v) any event occurs which under the laws of the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iv) above,

then the holder of any Note may give written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, that such Note is due and payable, whereupon the same shall, subject to Condition 2, become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.

(c) Breach of Obligations

To the extent permitted by applicable law and by these Conditions, a Noteholder may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes, the Receipts or the Coupons, but the institution of such proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

(d) Other Remedies

No remedy against the Issuer, 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, shall be available to the Noteholders, the Receiptholders or the Couponholders whether for the recovering of amounts owing in respect of the Notes, the Receipts or the Coupons or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Notes, the Receipts or the Coupons.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS

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

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

- (a) there will at all times be an Agent;
- (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 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 shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

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

13. EXCHANGE OF TALONS

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

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and *d'Wort* or the *Tageblatt* in Luxembourg. 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 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.

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 daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

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 Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five 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 a clear majority 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, the Receipts 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, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than three-quarters 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 Receiptholders and Couponholders.

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

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, 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, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders 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 so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. 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.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

18.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders, the Receiptholders and the Couponholders, may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes, the Receipts and the Coupons, against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.3 Arbitration

Without limiting the rights of the Noteholders under Condition 18.2, any dispute arising from or connected with the Notes, the Receipts and/or the Coupons (including any dispute regarding the existence, validity or termination of the Notes, the Receipts and/or the Coupons) (each a **Dispute**) may be referred by any Noteholder to arbitration in Paris in accordance with the rules of the London Court of International Arbitration (the **Rules**), the Rules being incorporated into this clause by reference. The number of arbitrators shall be three and the arbitration shall be conducted in English. Any arbitration award so made shall be binding.

18.4 Appointment of Process Agent

The Issuer appoints RB Secretariat Limited at its registered office at 10th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7EE as its agent for service of process, and undertakes that, in the event of RB Secretariat Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

18.5 Waiver of immunity

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

18.6 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts, made provision for arbitration and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit. If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

Overview

ADCB is a public joint stock company incorporated in the Emirate of Abu Dhabi, in the UAE. ADCB is registered in accordance with UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) and operates in the UAE under a banking licence granted by the Central Bank of the UAE. Under the laws of the United Arab Emirates and the Emirate of Abu Dhabi, ADCB does not hold and is not required to have a registration number. The registered office of ADCB is located at P.O. Box 939, Abu Dhabi, United Arab Emirates (telephone: +971 2 696 2222).

ADCB was incorporated on 2 May 1985 for an unlimited duration. Since this date, the Government of Abu Dhabi has always held a controlling interest of at least 60 per cent. The Government of Abu Dhabi currently holds a 64.8 per cent. stake and a further 15.1 per cent. is held by the Department of Private Affairs which acts as the investment arm of the Ruling Family of Abu Dhabi. A diverse base of UAE shareholders and others holds the remaining 20 per cent.

ADCB's authorised and subscribed share capital is AED 4 billion divided into 4 billion shares having a nominal value of AED 1 each. On 6 March 2005 the shareholders of ADCB approved an increase in the share capital of AED 250 million or 25 million shares representing a 20 per cent. bonus issue of shares issued on a pro rata basis to existing shareholders. On 18 September 2005 the shareholders of ADCB approved a 10 for 1 share split and an increase in the share capital of AED 500 million or 500 million shares representing a 33.33 per cent. bonus issue of shares issued on a pro rata basis to existing shareholders and a rights issue of 1 for 1 share with an exercise price of AED 1. ADCB is listed on the Abu Dhabi Securities Market (the **ADSM**) and had a market capitalisation of approximately AED 23.28 billion (U.S.\$6.3 billion) as at 31 December 2006. The financial data relating to ADCB's market capitalisation set out in the previous sentence has not been audited and is derived from the Issuer's management data.

History and Development

ADCB was formed following the merger in 1985 of Khalij Commercial Bank, Emirates Commercial Bank and Federal Commercial Bank pursuant to a resolution of the Abu Dhabi Executive Council.

Historically, ADCB conducted its business through a network of branches, each of which acted largely independently of the head office and served local customers offering loan and deposit products. Most credit decisions were taken and lending was processed at branch level, although major loans were centralised in the head office. There was a high emphasis on cost control and therefore limited promotional and marketing activities.

In 2003, and with a view to capitalising on what it saw as significant opportunities in the UAE banking sector afforded by recent economic growth and changing customer expectations, ADCB embarked upon a comprehensive restructuring programme designed to create a competitive contemporary banking entity that is capable of sustainable growth in profitability.

The restructuring strategy was formulated in mid 2003 and implemented in the remainder of that year and 2004. A new management team was appointed under the leadership of the Chairman, Mr. Saeed Al Hajeri, who was appointed in October 2004, and the Chief Executive Officer, Mr. Eirvin Knox, who was appointed in November 2003. The restructuring involved centralisation of the credit approval and monitoring process and therefore significant rationalisation of the independent back office functions throughout the branch network, the introduction of modern information technology systems throughout ADCB and a focus on offering new products (including an equity fund, "Al Nokhita", and Sharia (Islamic law and canon) compliant products) and the introduction of new business areas (including investment banking and the introduction of cash management services).

An additional element of the restructuring strategy was a change in corporate identity combined with efforts to improve brand image and to reposition ADCB as a contemporary bank in the market.

Customer acquisition and servicing channels were also improved, initially through upgraded branches and the introduction of a direct sales force and, more recently, through the introduction of new electronic channels, see “*Consumer Banking Group – Retail Banking Division*”.

In 2005, and in accordance with the strategy underpinning the restructuring, ADCB formed both a joint venture and a strategic alliance with Australia’s Macquarie Bank Limited (**Macquarie Bank**). The strategic alliance focuses on the fields of infrastructure investment banking. The primary aim is to leverage the specialised investment banking and infrastructure financing capabilities of Macquarie Bank and several mandates have been received.

ADCB’s joint venture with Macquarie Bank is to provide interest rate, currency and commodity derivatives products within the Gulf Co-operation Council (GCC) region. Under the joint venture, ADCB has acquired a licence to operate Macquarie Bank’s market leading treasury and commodities computer system, including pricing, dealing, risk management and settlements capability, and Macquarie Bank has agreed to supply experienced trading and marketing personnel to ADCB. All transactions falling within the scope of the joint venture are recorded on ADCB’s balance sheet and there is an annual profit sharing agreement under which ADCB retains the majority interest. The joint venture expires in 2015, with an optional break clause in 2012.

Net loans and advances grew strongly during the year from AED 42.2 billion at 31 December 2005 to AED 62.4 billion at 31 December 2006, reflecting, among other things, the introduction of new products and new business lines, enhanced marketing and improved distribution capacity. This loan growth was the principal contributor to increased interest income and non-interest income (in particular from fees and commissions) in 2005.

Strategy and Competition

Strategy

ADCB’s restructuring was designed to transform the bank from a traditional institution offering loans and deposits solely through its branch network into a modernised full-service entity offering a wide range of products and services to its customers. ADCB intends to continue to offer new products and introduce new business areas, through joint ventures and strategic alliances where appropriate, and to expand its distribution channels with a view to increasing its customer base, growing its business and diversifying its revenues. In particular, ADCB is targeting the following six areas:

Treasury Products and Derivatives: ADCB intends to use its joint venture with Macquarie Bank to create and offer a range of interest rate, foreign exchange and commodity derivative products structured to cater to the requirements of its customers exposed to risks in these areas.

Infrastructure Financing: ADCB intends to further leverage its strategic alliance with Macquarie Bank by actively seeking infrastructure financing mandates.

Full Service Brokerage: ADCB anticipates that there will continue to be significant growth in capital markets activity in the UAE and wider Middle East region and that this growth will offer significant opportunities for intermediation. ADCB intends to gain a share of this market. One of its subsidiaries, Al Dhabi Brokerage Services, has recently commenced buying and selling for customers on both the ADSM and the Dubai stock exchange.

Asset Management: ADCB intends to expand its asset management business and, in this connection, launched a UAE equity-based open-ended fund, “Al Nokhita”, the initial offering of which closed on 31 March 2005. This fund’s assets under management at 31 December 2006 were AED 1.179 billion. ADCB intends to introduce further funds which are specialised in their investment philosophy and designed to meet varied consumer demands, risk profiles and strategic financial objectives.

Wealth Management and Private Banking: ADCB intends to expand the range of third party products (including investment fund, insurance and structured products) which it offers its wealth management customers by increasing the number of alliances with the providers of such products. It also intends to offer such products to its other retail customers on a selective basis.

Cash Management: ADCB intends to focus on transaction banking and has launched domestic cash management services for its corporate and commercial customers. ADCB intends to build a strong customer base that needs structured cash management and liquidity management solutions and intends to offer these products through a combination of channels, including the Internet.

Competition

ADCB faces competition in all of its principal business areas. In its corporate business, ADCB competes to service its Governmental clients and the larger corporate borrowers in the UAE with a range of national and international banks operating in the UAE. ADCB believes that its alliance with Macquarie Bank is a significant competitive strength in this area, allowing it to offer better product structuring than many of its competitors. In its investment banking business, ADCB competes with local, regional and major international financial institutions. The market for investment banking and major infrastructure financing services in much of the Middle East has been strong in recent years, driven in part by high oil prices and significant construction activity in a number of centres. This has given rise to increased competition, particularly from international financial institutions.

In its retail banking business, ADCB faces strong competition principally from other UAE banks and non-bank financial institutions but also from certain international institutions with a retail presence in the UAE. ADCB believes its principal competitive strengths in this area include its strong market share and franchise reflecting its large and loyal customer base and its significant Government ownership. In addition, ADCB has one of the largest branch and ATM networks in the UAE. ADCB intends to expand its retail distribution capacity, including through new electronic channels to reduce the cost of servicing its mass retail customer base whilst at the same time continuing to focus on its higher net worth retail customers.

Bank Operations

UAE Banking Group

In 2005 ADCB consolidated its business groups by forming the UAE Banking Group which encompasses the following areas of the bank – Consumer Banking (comprising Retail Banking and Wealth Management and Private Banking), Corporate Banking, Commercial Banking and Cash Management. By combining the consumer and corporate franchises and their associated product teams under one umbrella ADCB aspires to offer its customers a stream of new products and services coupled with cross sold product lines.

Consumer Banking

Consumer banking comprises two divisions, Retail Banking (which is broadly defined as the mass retail market and the mass affluent segment) and Wealth Management and Private Banking (which services high net worth individuals).

Retail Banking Division

ADCB has one of the largest retail banking franchises amongst banks in the UAE. ADCB's retail banking business has traditionally been focused on personal banking products such as loans and deposits although, more recently, ADCB has sought to develop the business to appeal to a wider customer base. As part of this development, ADCB has identified two distinct segments at which its product development and distribution channels are aimed, being mass affluent (affluent customers who do not qualify for the Wealth Management and Private Banking Division described below) and mass retail customers (being customers with small asset bases, including students).

ADCB is recognised as the market leader in consumer banking with a full suite of products and services supported by a distribution channel infrastructure of 42 branches, 106 ATMs, mobile banking, ADCB@ctive, its online banking service, and a contact centre which is open 24 hours a day and 7 days a week.

The ADCB Consumer Business has grown significantly since 31 December 2004. Since that date, the customer base has more than doubled and, at 31 December 2006, was in excess of 210,000, following a net increase of 51,000 customers in 2006. ADCB has a very strong consumer franchise in the UAE with the customer base being a virtual mirror reflection of the nationality and geographic mix of the UAE's population. ADCB offers the entire range of consumer banking products and services appealing to all the ethnic groups within the multi-cultural marketplace.

The principal deposit products offered by the Retail Banking division are savings and current accounts, fixed term deposit accounts, call accounts and an all-in-one packaged account which provides a customer with a current account blended with other services. With no minimum balance requirement, the all-in-one account offers a free cheque book, credit card, debit/ATM card, all-in-one membership discount card and medical discount card together with limited life insurance coverage and utility bill payment facilities.

The principal lending products offered by the Retail Banking division are personal loans, real estate loans, mortgage products, loans to purchase automobiles, credit cards and authorised overdraft limits.

ADCB has a focused Direct Sales Unit comprising of 450 people trained in cross-selling techniques. In addition, a 60 member Outbound Tele-calling team supported by an appropriate IT platform assists in cross-selling through a variety of offers and programmes.

In line with ADCB's strategy of benchmarking itself at a global level, significant investments have been made in technology, not only in the core banking infrastructure, but also in customer facing delivery channels. Bank-Customer interaction is now possible across a wide range of self-service and online channels. ADCB's Automated Teller Machines, Cash & Cheque Deposit Machines, Internet Website, Internet Banking portal, SMS Banking, Automated Voice Response and Contact all provide a uniform view to the customer.

Wealth Management and Private Banking Division

The Wealth Management and Private Banking Division offers its customers personalised banking solutions catering to their particular needs and preferences. The Division, which was established in early 2004, targets customers holding assets worth at least AED 500,000 and operates through two main distribution arms, Excellency Wealth Management and the Private Banking Unit. All Private Banking Unit clients are offered the Excellency Wealth Management Service and, in addition, receive a highly customised personal service.

The Excellency Wealth Management Service has been introduced to cater to the needs of clients requiring a more personalised service and customer-centric approach and includes the services of a dedicated relationship manager, the use of dedicated Excellency centres, a dedicated toll free communication centre and internet banking, a free, pre-approved credit card with higher limits and benefits (including travel services), an Excellency debit card with free card usage, preferential pricing and rates and the ability to borrow against local equity holdings and international investments.

The Wealth Management and Private Banking Division's deposit products range from short-term time deposits to long-term transaction accounts, both interest bearing and non-interest bearing, together with all related services, including cheque books, ATM cards and funds transfer services. The division's lending products include all kinds of lending, including real estate development, industrial projects, lending for local and international investments, cash projects and the maritime

sector. Many customers of the division carry out significant business transactions on a personal basis as opposed to through corporate vehicles.

The Wealth Management and Private Banking division offers its customers bancassurance products including a range of insurance products, including Sharia-compliant insurance, from regional and international providers. These products also comprise personal regular saving plans and corporate pension and group insurance schemes. The division also offers portfolio advisory services for its clients covering a wide range of asset classes, including fixed income, equities, real estate and offerings including structured products, capital protected products and hedge funds. In addition, ADCB is exploring ways to offer Sharia-compliant products. In total, more than 120 investment offerings and products are available for the Wealth Management and Private Banking division's customers from third party providers.

As part of the Wealth Management and Private Banking division's asset management initiatives, ADCB has launched the first Index Fund in the Middle East, the ADCB MSCI UAE Index Fund. Tracking the MSCI UAE Index, this fund aims to match the performance of the underlying fund.

ADCB also offers Islamic Banking products under the brand "ADCB Meethaq". In 2006 ADCB won two awards by Euromoney Islamic Awards, *Most Improved Islamic Bank in the Middle East* and *Best New Islamic Product for the Year Globally* for ADCB's Meethaq Mudarabah OD Facility. Looking ahead, ADCB will be widening its Islamic offering to cover both the assets and liability needs of its clients.

Excellency Wealth Management is further expanding its offering by launching the Excellency Mortgage Services. A tailored mortgage with competitive rates and higher mortgage values, this offering will further strengthen ADCB's offering to its private banking clients.

Corporate Banking

Corporate Banking provides a wide range of banking solutions to multinational corporations, local corporate entities, established family and merchant groups, regional business houses, banks and other financial institutions as well as government organisations and government sponsored enterprises.

ADCB distinguishes its Corporate Banking customers by market segment, by geographic location and by turnover of the customer. Corporate Banking comprises a number of specialised divisions, including the Commercial Banking Division and the Cash Management Division, each of which is described further below.

The principal market sectors covered by Corporate Banking include contracting, real estate, marine services, oil and gas, government agencies, manufacturing, trading and re-export, hospitality and tourism, telecommunications and transportation.

ADCB's Corporate Banking is geographically divided into two regions, Abu Dhabi Emirate and Dubai and the Northern Emirates. These regional operations are located strategically to service the maximum number of ADCB's corporate customers. Although Corporate Banking's services are primarily focused within the geographical boundaries of the UAE, it also services certain corporate clients domiciled outside the UAE which have businesses within the country.

Commercial Banking Division

The Commercial Banking Division caters principally to small and medium-sized enterprises (SMEs) in the UAE. ADCB has traditionally enjoyed strong relationships with this segment and offers a range of asset and liability products to suit its specialised needs. These products include:

- Working capital finance, including term loans and lines of credit;

- Accounts receivable financing, including discounting of bills, invoices, point of sale proceeds and various trade finance instruments;
- Merchant card services;
- Treasury products, including spot and forward foreign exchange products, derivatives and structured notes;
- Trade finance, including letters of credit, trust receipts, acceptances, confirmation and collections of documentary credits, and loans against foreign bills;
- Contracting finance where ADCB provides loans to building contractors for working capital purposes;
- Real estate construction finance;
- Cash management, including collections and delivery checks and documents, lockbox, payment services and sweep accounts; and
- AED and foreign currency accounts.

Cash Management Division

The three core functions of the Cash Management Division (the **CM Division**) are product development, sales and implementation. The CM Division serves government entities, large corporates and commercial accounts and provides a full range of products and services consisting of:

- Account management;
- Transaction management;
- Collections;
- Payments;
- Liquidity management;
- Channel management including the ability to provide daily statements electronically;
- Information delivery; and
- Transaction initiation.

A dedicated cash management product specialist caters to the specific requirements of each customer through a customer-focused, consultative selling approach. The product specialist is supported by an implementation team to ensure successful product delivery and usage by the customer as well as after-sales product support.

The CM Division's competitive strengths in providing cash management services are its ability to leverage investment in technology, experienced personnel, local knowledge and ADCB's branch network.

Corporate Finance Group

The Corporate Finance Group comprises two divisions, Investment Banking (which is responsible for domestic project finance, financial institutions, trade finance and syndications) and Corporate Finance (which covers infrastructure project finance (debt/equity), offshore project finance (debt/equity) and strategic investments). The Corporate Finance Group is a highly integrated unit which works closely with ADCB Macquarie and the UAE Banking Group.

Investment Banking Division

The Investment Banking Division (the **IB Division**) is a unit within the Corporate Finance Group of ADCB. It provides specialised services and undertakes activities such as underwriting and participating in the international primary loan syndication market, secondary trading market and project finance in the UAE/GCC countries.

The division has arranged and extended loans on both a bilateral and a syndication basis to a number of large corporates in the UAE. During 2007, the IB Division has plans to launch a structured finance desk and to strengthen its agency and distribution desk. The IB Division is also responsible for all Financial Institutions related business and is a focal point for all regional and international banks to liaise with ADCB.

Financial Institutions Division

Within the IB Division is the Financial Institutions Division (the **FI Division**) which oversees ADCB's correspondent banking arrangements with more than 300 banks worldwide and handles more than AED 30 billion in international business annually.

The FI Division is responsible for establishing credit facilities and setting-up Test Key and SWIFT bilateral key arrangements with major correspondent banks worldwide. Country and individual bank credit limits are monitored for compliance by the FI Division which also reviews and makes recommendations in respect of the limits to ADCB for approval in consultation with the Treasury and Investments Group.

In addition, the FI Division is an active participant in bank syndicated facilities, both in the primary and secondary markets. It also participates in international trade finance transactions as well as performance bonds and bank guarantees.

Corporate Finance Division

The Corporate Finance Division (the **CF Division**) was established on 1 January 2006 and is responsible for infrastructure project finance (debt/equity), offshore project finance (debt/equity) and strategic investments. The CF Division has also been mandated to work closely with ADCB Macquarie Corporate Finance on infrastructure-related project finance.

The CF Division also examines strategic opportunities on behalf of ADCB such as mergers and acquisitions, leveraged buyouts, private equity transactions, financial structuring and advisory services.

This division also plays an important role in the implementation of ADCB's diversification strategy. As part of its diversification mandate the division focuses on Islamic finance and banking, asset management, equity research and capital markets and property investment banking.

With a view to capitalising on the recent growth in the Indian economy, the CF Division is building up an India exposure debt book through term lending in the areas of infrastructure financing, acquisition financing and asset-based lending. Credit exposures have been taken in select projects in the ports, roads, airport, power, telecommunications, pharmaceuticals and auto ancillary sectors.

Treasury and Investments Group

ADCB's Treasury and Investments Group centrally manages ADCB's cash flow, liquidity, foreign exchange, interest rate and commodities risks. It also supports money market and foreign exchange products and interest rate, currency and commodity derivative products that are offered to all segments of ADCB's customer base. In addition it manages ADCB's proprietary portfolio of bonds, equities, funds and other investments.

The activities of the Treasury and Investments Group are subdivided into five divisions, each of which is described briefly below.

Capital Markets & Funding Division

This Division is responsible for the activities of ADCB in the domestic and international money and capital markets. In the money markets, ADCB is a leading participant in relation to AED transactions and also carries out operations in GCC and other major international currencies. This division is also responsible for executing ADCB's funding and liquidity risk management strategies, a central objective of which is to lengthen the maturity profile of its liabilities and to widen and deepen its domestic and international sources of funding.

Derivatives & Commodities Division

As part of its strategic alliance with Macquarie Bank, ADCB has established a joint venture that trades derivatives and commodity products and markets these products across the GCC countries. The joint venture conducts all of ADCB's activities in interest rate and currency derivative products with a tenor greater than one year and all its commodity derivatives trading. ADCB and the joint venture are also licensed to operate the Macquarie Treasury System (MTS), which supports all treasury activities in foreign exchange, money markets, bonds, commodities and their derivatives, including complex option based and hybrid products. In particular, MTS supports pricing, execution, settlement and risk management and includes value-at-risk (VAR) and worst case contingent loss (WCCL) calculation engines. A number of experienced senior traders and marketing staff from Macquarie Bank have been seconded to ADCB to support the activities of the joint venture. All treasury transactions, including those falling within the scope of the joint venture, are executed in the name of ADCB.

Investments Division

This Division manages all of ADCB's proprietary investments in financial instruments, including bonds, equities, funds and other assets. Its objective is to maximise income from a diverse portfolio of investments whilst remaining within well-defined risk limits. The portfolio consists mainly of debt instruments (including credit-linked notes) but also includes direct holdings of equities, externally managed funds and other special purpose investment vehicles (including hedge fund investments and investment grade collateralised debt obligations). Most debt instruments in the portfolio pay floating rates of interest to reduce ADCB's interest rate exposure and unswapped fixed rate investments are generally only held against known liabilities. Credits range from emerging market sovereign issuers to Middle East banks and corporates. The division also manages ADCB's investments in its own managed funds, and is overseen by ADCB's Investment Committee.

Middle Office/Risk Management Division

The primary function of this Division is to ensure that all transactions undertaken by the Treasury and Investments Group are captured by the risk management and settlement systems and appropriately reported. The Division is also responsible for overseeing policies and procedures and for ensuring systems integration within the Treasury and Investments Group.

Sales and Marketing Division

This Division is responsible for marketing and distributing treasury and investment products to clients and business units of ADCB.

Risk Management

ADCB faces a variety of risks in its day-to-day operations (including credit, market, liquidity and operational risks). In order to minimise their effects, ADCB has established risk management functions to identify, evaluate and manage all ADCB's risks.

Organisation

Although business units have primary responsibility for managing specific risk exposures, the Executive Committee, the Board Audit Committee, the Risk Committee, the Asset and Liability Committee (ALCO) and the Management Credit Committee have primary responsibility for managing the majority of ADCB's risk exposures. These committees are described further under "*Directors, Management and Employees*".

Credit Risk Management

ADCB adopts a conservative approach in making credit decisions, limits its exposures to high-risk sectors and seeks to avoid undue risk concentrations.

ADCB's credit approval process is documented in its credit policy and procedures manual, which deals with all aspects of the lending process, and is summarised below. ADCB has also developed policies on other aspects of credit such as asset based lending, documentary credit, receivables financing and discounting, term finance, syndication and underwriting, risk controls, financial institutions, country risk, credit administration, post approval credit audit processes and credit risk strategies (concentration limits).

For ADCB's corporate customers, a credit application is completed by the appropriate loan officer providing brief information on the borrower, its business and its previous relationship with ADCB, if any. The application also includes details of the proposed facility including all relevant related and group exposures and any proposed collateral and/or financial and other covenants. Detailed financial information is also required to be submitted with the application (including three years' audited financial statements, prescribed financial ratios, a cash flow analysis and financial projections). Appropriate credit checks are made with the UAE Central Bank and through an analysis of the borrower's financial performance and past credit history, where available. The loan application includes a SWOT (strengths, weaknesses, opportunities and threats) analysis carried out by the loan officer and his proposed risk rating based on qualitative and financial criteria.

The loan application is reviewed by the regional or head office division head who adds his own recommendation before it is submitted to the appropriate authority for approval. The table below shows the lending authority of each approving body within ADCB:

Head of UAE Banking	AED 50 million (secured by cash/bank guarantees) AED 20 million (secured by other collaterals) AED 4 million (unsecured)
Credit Group, Joint A and B Signatures ⁽¹⁾	AED 100 million
Management Credit Committee	AED 200 million
Executive Committee	AED 500 million
Board of Directors	No limit ⁽²⁾

Note (1) : A Signatures are represented by CEO and Head of Credit Group, B Signatures are represented by Joint Heads and Credit Group.

Note (2): The UAE Central Bank imposes a maximum borrowing limit on loans to any borrower or borrower group of 7 per cent. of a bank's capital funds. At 31 December 2006, ADCB's maximum limit on this measure was AED 764.2 million. This limit does not apply to UAE Governmental borrowers and a different limit applies to commercial entities of the UAE Government.

ADCB seeks to collateralize its lending where appropriate to the facility being extended. Collateral generally comprises real estate mortgages (for loans involving real estate), pledges of plant and machinery, including transport equipment, pledges of securities (in particular for loans to high net worth customers) and guarantees. Collateral is valued by independent appraisers (in the case of major real estate), by in-house valuers and by reference to market values (in the case of securities). ADCB retains the right to require further collateral or to restrict drawings in cases where the value of the collateral falls below acceptable loan to value ratios.

ADCB's Credit Division sets the policy for monitoring and control of ADCB's corporate loan portfolio. Corporate loans are reviewed regularly (and at least once a year and often more frequently). This review includes an analysis of the borrower (based on its latest financial statements, its compliance with any loan covenants and its payment and facility usage patterns), its industry and its business and uses external data where available.

ADCB's credit grading system uses 10 different grades. Grades I(A) through (E) are considered good credits although reducing in quality from (A) to (E). Grades II(A) and (B) identify borrowers which require special attention, for example through intermittent payment arrears, a failure to supply required financial information or where the financial information supplied indicates deteriorating performance. Grade III is considered substandard, grade IV comprises doubtful loans and grade V is for bad debts where ADCB does not reasonably expect any further recovery and which it intends to write-off after completion of all appropriate legal action. All loans where payments are more than 180 days overdue are required to be included in at least grade III.

The table below shows a breakdown of ADCB's loan portfolio at 31 December 2006 by grade of loan (AED million):

Business group	I Performing	II OLEM⁽¹⁾	III Non- performing	IV Doubtful	V Loss	Total
Corporate/Govt	17,601	1,649	185	60	271	19,766
Commercial	1,333	57	88	37	133	1,648
IBC ⁽²⁾	22,306	156	0	0	0	22,462
HNW ⁽³⁾	6,284	6,775	138	34	2	13,233
Retail	5,553	276	189	27	254	6,299
Total	53,077	8,913	600	158	660	63,408
Less	Provision for Doubtful Debts					983 ⁽⁴⁾
Loans, net of provision						62,425 ⁽⁵⁾

(1) Other Loan Exceptionally Monitored.

(2) Investment Banking Group.

(3) High Net-Worth Individuals.

(4) This figure has been taken from the Issuer's audited consolidated annual financial statements as at 31 December 2006.

(5) Except as noted above in Note 4, all of the financial information in this table has been taken from the Issuer's unaudited management data.

ADCB's 20 largest non-performing exposures at 31 December 2006 amounted to AED 468.4 million and interest in suspense relating to these accounts amounted to AED 118.9 million. AED 177 million of this amount was provisioned and the assessed net present value of the collateral in respect of these exposures amounted to AED 172.5 million. The financial data in this paragraph is derived from the Issuer's unaudited management data.

ADCB provisions its corporate loans on an ongoing basis with all loans in accordance with IAS 39.

ADCB adopts a rigorous approach to managing its bad and doubtful debts and appropriate managers maintain effective contact with non-performing borrowers with a view to maximising recoveries. In appropriate cases, claims may be litigated and/or compromised with the authority of the appropriate body within ADCB. Loans are only written off once they have been classified as bad

debts for at least 12 months and other prescribed conditions (principally that there is no further prospect of recovery) are satisfied. Only the Chief Executive Officer or higher credit approval bodies may decide to write off a loan.

ADCB has adopted a simplified approach to approving retail credit applications. Applications are made and pre-screened through checks of the applicant's credit history (if any) with ADCB and any negative record of the applicant at the UAE Central Bank. A credit analyst reviews the applicant's financial information and recommends the loan for approval (subject to any maximum amount) or rejection. Customer verification checks are carried out in respect of loans recommended for approval before the monies are disbursed.

ADCB's mortgage and car loans are secured on the property being financed. Personal installment loans and overdrafts are granted subject to the applicant's salary being paid to an account with ADCB and this being formalised by appropriate arrangements with the employer. Credit card lending is unsecured.

Retail loans are monitored on a missed payment basis. ADCB is pro-active in following up non-performing retail loans and provisions such loans in progressive stages until they are 120 days (or 180 days in the case of cards) overdue at which point they are fully provisioned. Retail loans which are bad debts may only be written-off in the same manner as corporate loans.

Market Risk Management

Market risk is the risk that foreign exchange rates, interest rates or equity and commodity prices will move and result in profits or losses to ADCB. Market risk arises on financial instruments which are valued at current prices (mark to market basis) and those valued at cost plus any accrued interest (accruals basis).

Using MTS, ADCB has the ability to transact a wide range of derivatives products including spot, forward, swaps, options and hybrid products linked to interest rates, foreign exchange rates and a wide variety of commodities. These, together with other on balance sheet Treasury and Investments assets and liabilities (including deposits and bonds) and other retail and corporate products give rise to complex market risk exposures. The primary purpose of ADCB's derivatives trading and other transactions which generate market risk is to facilitate customer transactions rather than to take speculative positions and limits are set consistent with this objective.

Currently, only products booked within the joint venture are managed centrally within Treasury using MTS. MTS supports both VAR and WCCL calculations. ADCB is working to consolidate all of its market risk positions within MTS. ADCB currently enters into swaps to mitigate its interest rate exposure when it enters into fixed rate transactions. ADCB does not have any significant foreign exchange exposure.

VAR is the preferred market risk management measure used by the UAE Central Bank. VAR is a statistical model that sets a single contingent loss figure that, subject to a confidence level (usually 99 per cent.), a trading operation will not expect to exceed on any given day. VAR models take account of the observed relationships between market prices to generate statistically a large number of different market scenarios (10,000 in MTS). For each scenario, all transactions are marked to market and the aggregate profit or loss is calculated. Once this is completed for every scenario, a distribution of potential profit and loss outcomes is constructed and the loss for the 99th percentile scenario (i.e. the 100th worst case loss out of 10,000) is the value-at-risk. VAR is not a limit but rather is a value that, with 99 per cent. confidence, ADCB can rely on its losses not exceeding.

WCCL is a form of stress testing in that it calculates contingent (i.e. potential) profits and losses based on movements in market prices and/or volatilities that are larger than has ever occurred in the past and which to an extent are based on management's assessment of the worst market shock

that could occur. This approach implies that the moves used provide a very high level of statistical confidence that ADCB will not suffer any losses greater than those dictated by the limits.

ADCB sets conservative limits on both VAR and each WCCL scenario.

ADCB sets maturity limits to prevent the execution of transactions that are particularly illiquid or difficult to hedge due to the term of the transaction. These limits vary by product and the current limits are set out in the table below:

<u>Instrument</u>	<u>Currency</u>	<u>Maturity limit</u>
Foreign exchange options, foreign exchange forwards and cross-currency interest rate swaps	AED, USD, JPY, EUR and GBP	10 years
	Others	5 years
Interest rate swaps	AED, USD, JPY, EUR and GBP	30 years
	Others	10 years

ADCB also tracks and monitors other risks and limits such as single currency foreign exchange limits, long dated foreign exchange volatility limits, expiry date and strike price limits for options, and interest rate limits. All limits are determined after analysing the volatility and arriving at the WCCL for each limit.

Liquidity Risk Management

Liquidity risk is the risk that ADCB will be unable to meet its funding requirements. This can be caused by market disruptions or deterioration in ADCB's credit quality. To address this risk, management seeks to ensure a diversity of funding sources and to match the growth of its assets with funding. ADCB also seeks to maintain sufficient levels of liquid resources, being cash, cash equivalents and marketable securities.

The Central Bank of UAE requires banks to match loans against customer deposits. Interbank borrowings and facilities with a residual maturity in excess of six months also qualify as customer deposits. ADCB has a stable, low cost deposit base sourced from a large account base, as well as key relationships with large government agencies including oil sector companies. Although a large percentage of ADCB's funding is short term in nature, which is a market characteristic in the UAE, quoting market rates of interest at maturity is sufficient to ensure renewals. Furthermore ADCB has approximately 14.9 per cent. of its assets in liquid securities such as cash and securities to mitigate short-term funding fluctuations.

Operations and Risk Management

ADCB conforms to the centralised processing model with all non customer-facing processes being carried out in specialised processing functions. The achievement of defined quality targets is controlled through standard operating procedures and measurement against associated service levels for every process. In addition, certain non-core activities have been outsourced.

ADCB has adopted two methodologies which are embedded in its daily business practices. The first is Service Targets or Key Performance Indicators relating to its major internal and external services. These are reported to the Senior Management Committee monthly in order to identify services requiring improvements. In addition, ADCB has adopted an Operational Risk Self Assessment methodology, requiring monthly tracking and reporting of defined key risk indicators and adherence to control standards, in order to allow early identification and resolution of any developing operational risks across its operations and to dovetail with the activities of the Internal Audit function. This methodology also provides for the future operational risk requirements of Basel II capital adequacy framework.

Basel II

A steering committee of members of senior management has been formed by ADCB to oversee the implementation of systems to ensure that ADCB is fully compliant with the requirements of Basel II.

One major change introduced by Basel II compared with the previous regime deals with the introduction of new approaches to determining regulatory capital charges. As a result of this new requirement the capital charges for credit risk and operational risk will change. Operational risk is a new type of risk that was not considered previously and refers to the risk of direct losses resulting from fraud, technology failures, legal risks or trade settlement errors, among other things. In contrast to the situation under the previous regime, credit risk capital charges will become more risk-sensitive as they will be linked to credit ratings. In addition, the classification of non-performing loans will be adjusted from 180 days with no repayment to 90 days.

Basel II provides three approaches to capital risk regulatory capital calculation. The most basic approach is the standardised approach, which uses external credit ratings to determine the risk weighting applied to rated counterparties and groups other counterparties into broad categories and applies standardised risk weightings to these categories. ADCB has decided initially to adopt this standardised approach although its compliance is subject to the National Discretions as adopted by the Central Bank of the UAE. ADCB considers that it will be in position to implement systems to ensure compliance with Basel II within the prescribed timeframes.

Information Technology

The IT function at ADCB comprises the following:

- *Data Centre Operations* – responsible for the daily smooth running of all services;
- *Technical Support* – handling all aspects of network management, system help desk and office automation; and
- *System Development* – responsible for all application change management, system problem management and new application implementation.

In addition there is an independent IT security and quality assurance function which oversees security and system change management.

All technical activities are undertaken with close attention to contingency planning. In early 2005, ADCB commissioned a new data centre and communication network to run its new core banking platform. A new disaster recovery and business continuity site, linked to the data centre through real-time data replication, has also been put into production.

In 2004, ADCB invested U.S.\$10 million in capital expenditure to completely replace its core banking system across all branches and central departments. The expenditure covers application licence and implementations costs, communication network upgrade, a total replacement of all desktop equipment and the building and equipping of a 'hot' disaster recovery site. In the next three years, ADCB plans to commit an average of U.S.\$1-2 million in new investment on channel expansion and implementing critical business applications.

ADCB's ATM switch application is now running on Base 24 ES which is regarded as one of the best and most reliable in the industry.

Another recent development is the implementation of Corporate, Retail and Brokerage online facilities and a Collaboration Portal is currently in the process of being set up.

Overseas Operations and Subsidiaries

Apart from its two branches in India, ADCB has no establishments outside the UAE. Currently, its operating subsidiaries include Al Dhabi Brokerage Services, Abu Dhabi Commercial Properties Company and Abu Dhabi Risk and Treasury Solutions Company.

ADCB's branches in India serve the remittance needs of non-resident Indians in the UAE.

Legal and Internal Audit

Industry Regulation and Supervision

The principal source of banking regulation in the UAE is the Central Bank. The Central Bank provides prudential supervision of each bank's capital adequacy, liquidity and anti-money laundering controls and its general banking activities. Monitoring by the Central Bank is undertaken by way of regular inspections of banks and their records and the requirement for regular submission of data including, but not limited to, deposited funds, loans and mortgage business, liquidity status and anti-money laundering measures. In addition, the Abu Dhabi Audit Authority audits ADCB annually.

As a UAE company, ADCB is also subject to supervision and regulation by both the UAE Ministry of Economy and Planning and regulatory authorities within each of the different Emirates that collectively constitute the UAE, in particular the Abu Dhabi Finance Department.

Finally, as a company listed on the Abu Dhabi Securities Market, ADCB is subject to the rules and regulations of that securities market as enforced by the Emirates Securities and Commodities Authority.

Legal Proceedings

During the ordinary course of its business, ADCB is subject to legal proceedings and adjudications. No material provision has been made as at 31 December 2006 in respect of any outstanding legal proceeding against ADCB as professional advice indicates that it is unlikely that any significant losses will occur.

Internal Audit

ADCB's Audit Committee has responsibility for legal and regulatory compliance and receives executive support from ADCB's Internal Audit Department (**IAD**).

The IAD oversees a broad and comprehensive programme of internal auditing within ADCB. In accomplishing audit activities and responsibilities, members of the IAD are authorised to have unrestricted access to all of ADCB's functions, records (either manual or electronic), assets, physical properties and personnel, relevant to the audit engagement.

The IAD conducted its last bank-wide internal audit in 2006 and discovered no significant unreported off-balance sheet liabilities or unreported items that would affect ADCB's earnings or capital as at that time. There were no material issues or problems raised in that audit.

Compliance with anti-money laundering procedures and internal training in such procedures is monitored by the Head of the Compliance Department. The UAE Central Bank has imposed "know your customer" requirements on banks since January 2002 which entails regular reporting to the Central Bank. ADCB believes that it is in substantial compliance with these requirements.

The IAD consists of 17 auditors (inclusive of credit examiners), whose task is to ensure that all transactions of ADCB are conducted in compliance with all legal and regulatory requirements and in accordance with ADCB's procedures for the recording of operations, thereby minimising the risk of fraudulent or improper practices.

The frequency of internal audits carried out on each unit of ADCB depends on the inherent risk of that unit and its related control risk evaluation. The IAD conducts audits of all ADCB's units.

The IAD's activities are carried out through three distinct processes:

- *Operations and Financial Audit* – this comprises reviews of the adequacy and effectiveness of internal controls and risk management procedures; an evaluation of accounting records and management information systems to ensure their accuracy and reliability; and reviews of systems and procedures established to ensure compliance with legal and regulatory requirements and ADCB's code of conduct.
- *Credit Review* – this comprises an evaluation of the credit portfolio quality and an appraisal of the credit risk management process together with a review of the adequacy and effectiveness of credit policies and procedures.
- *Information Systems Audit* – this comprises a review of all information systems platforms within ADCB to ensure that adequate security controls and protocols have been established, implemented and properly maintained.

SELECTED FINANCIAL INFORMATION

Funding

The Treasury department is responsible for the funding of all of ADCB's operations. The main source of funding is customer deposits. As at 31 December, 2006, the aggregate amount of ADCB's liabilities totalled AED 70.4 billion, including customer deposits of AED 43.4 billion.

The following table sets out the sources of funding for ADCB as at 31 December, 2005 and 2006 and as at 31 March, 2007⁽¹⁾.

	As at 31 December		2006		As at	
	2005		2006		31 March 2007	
	AED	%	AED	%	AED	%
	<i>(AED millions and as a percentage of total funding)</i>					
Customer deposits						
Demand deposits	6,998.7	20.6	9,725.4	22.4	10,846.9	21.8
Time deposits	23,568.8	69.4	27,736.9	63.9	30,431.0	61.3
Saving deposits	1,068.3	3.2	1,007.3	2.3	1,061.0	2.1
Other	2,301.5	6.8	4,927.2	11.4	7,332.7	14.8
Total customer deposits	33,937.3	100.0	43,396.8	100.0	49,671.6	100.0
Due to banks						
Current and demand deposits.....	346.1	5.7	171.8	2.2	252.4	4.1
Short-term deposits	5,253.6	86.9	7,781.9	97.6	5,703.6	92.1
Long-term deposits	449.8	7.4	16.3	0.2	236.7	3.8
Total due to banks.....	6,049.5	100.0	7,970.0	100.0	6,192.7	100.0
Short and medium-term borrowing.....	7,749.5	–	16,610.2	–	18,313.7	–
Long-term loan	–	–	–	–	–	–
Other liabilities	1,370.6	–	2,387.0	–	3,782.0	–
Total funding.....	49,106.9	100.0	70,364.0	100.0	77,960.0	100.0

During 2006, ADCB issued Notes under its Euro Medium Term Note Programme aggregating AED 7,364 million. Further to the above ADCB also issued Subordinated floating rate notes aggregating to AED 1,469 million.

ADCB's 20 largest depositors at 31 March, 2007 accounted for 45.9 per cent. of ADCB's total customer deposits at that date. Of ADCB's total deposits at 31 March, 2007, 79.2 per cent. were from residents, of which 32.4 per cent. came from the Government, 23.9 per cent. from public sector institutions and 17.5 per cent. from private sector institutions with the remainder principally being deposits by UAE resident individuals.

(1) Except where indicated, all financial information set out in this "Selected Financial Information" section which is expressed to be as at 31 March 2007 has been extracted from the Issuer's review (but unaudited) non-consolidated interim condensed financial statements for the three months ended 31 March 2007.

Balance Sheet Maturity Profile

The following tables set out information regarding ADCB's balance sheet remaining maturity profile as at 31 December 2005 and 2006 and as at 31 March, 2007, based on remaining contractual maturities which do not take into account effective maturities as indicated by ADCB's deposit retention history and the availability of liquid funds.

As at 31 December 2005							
	Total	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 Years
<i>AED '000</i>							
Assets							
Cash and balances with							
Central Bank.....	1,702,321	1,702,321	–	–	–	–	–
Deposits and balances due							
from banks	9,989,250	9,220,373	–	768,877	–	–	–
Trading investments.....	392,836	392,836	–	–	–	–	–
Loans and advances, net.....	42,164,061	17,685,845	2,297,669	4,458,125	3,644,743	3,681,908	10,395,771
Non-trading investments	1,771,454	349,443	33,144	20,807	249,068	333,258	785,734
Other assets	1,320,200	1,249,810	9,701	–	20,573	22,116	–
Property, plant and equipment, net	403,192	–	–	–	–	–	403,192
Total assets	57,725,314	30,600,628	2,340,514	5,247,809	3,914,384	4,037,282	11,584,697
Liabilities and Equity							
Due to banks	6,049,451	4,903,418	284,295	411,983	433,414	16,341	–
Customers' deposits	33,937,379	25,304,342	3,198,412	4,096,556	1,220,498	66,181	51,390
Short and Medium Term							
Borrowings	7,749,484	–	46,812	558,687	18,365	146,920	6,978,700
Other liabilities	1,370,587	1,370,587	–	–	–	–	–
Equity	8,618,413	–	–	–	–	–	8,618,413
Total liabilities and equity	57,725,314	31,578,347	3,529,519	5,067,226	1,672,277	229,442	15,648,503

As at 31 December 2006							
	Total	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 Years
<i>AED '000</i>							
Assets							
Cash and balances with							
Central Bank.....	1,898,457	1,898,457	–	–	–	–	–
Deposits and balances due							
from banks	10,065,209	9,912,883	8,380	127,605	16,341	–	–
Trading investments.....	77,630	77,630	–	–	–	–	–
Loans and advances, net.....	62,424,649	21,309,974	3,706,877	3,561,742	7,013,558	10,083,538	16,748,960
Non-trading investments	3,700,744	260,324	21,676	92,903	942,492	701,818	1,681,531
Other assets	2,409,665	2,409,665	–	–	–	–	–
Property, plant and equipment, net	512,024	–	–	–	–	–	512,024
Total assets	81,088,378	35,868,933	3,736,933	3,782,250	7,972,391	10,785,356	18,942,515
Liabilities and Equity							
Due to banks	7,970,187	7,922,518	31,329	–	16,340	–	–
Customers' deposits	43,396,851	37,048,041	2,462,020	2,996,099	192,906	27,449	670,336
Short and Medium Term							
Borrowings	16,610,194	284,836	102,318	628,994	944,187	12,084,363	2,565,496
Other liabilities	2,386,968	2,386,968	–	–	–	–	–
Equity	10,724,178	–	–	–	–	–	10,724,178
Total liabilities and equity	81,088,378	47,642,363	2,595,667	3,625,093	1,153,433	12,111,812	13,960,010

Portfolio of Loans and Advances

The following table summarises the types of ADCB's lending activities as at 31 December 2005 and 2006 and as at 31 March, 2007.

	As at		As at
	31 December	2006	31 March
	2005	2006	2007
<i>(AED millions)</i>			
Loans and advances			
Term loans	22,891.7	40,734.5	43,935.6
Overdrafts.....	14,548.2	15,692.8	13,850.8
Personal instalment loans.....	4,498.7	5,099.2	5,423.6
Credit cards	232.3	444.7	472.0
Other facilities	707.3	1,436.4	1,594.1
Performing loans and advances, gross	42,878.2	63,407.6	65,276.1
Provision for possible credit losses	(714.1)	(982.9)	(981.3)
Performing loans and advances, net	42,164.1	62,424.7	64,294.8

Loans and advances are stated in this section net of interest in suspense (which is interest accrued on non-performing loans but not recorded as income). As at 31 December, 2006, interest in suspense amounted to AED 306 million as compared to AED 314 million at 31 December, 2005.

Loans and advances include an interest free loan to the Government of Abu Dhabi (the Government) of AED 667.6 million (2005: AED 705 million). This Loan arose as a result of the Government acquiring certain non-performing loans which were previously indemnified by the Government through a guarantee.

Distribution of Loans and Advances by Economic Sector

The following tables set out the allocation by economic sector of ADCB's portfolio of loans and advances, net of interest in suspense, as at 31 December, 2005 and 2006 and as at 31 March, 2007.

	As at 31 December 2005		
	Performing	Non Performing ⁽¹⁾	Total loans and advances
	<i>(AED millions)</i>		
Personal	3,927.0	438.1	4,365.1
Personal-Other.....	18,097.3	34.8	18,132.1
Government	4,582.6	–	4,582.6
Construction.....	1,794.1	166.7	1,960.8
Energy	2,050.6	6.6	2,057.2
Trading.....	1,561.6	121.2	1,682.8
Manufacture	1,626.3	44.7	1,671.0
Financial institution	2,718.6	0.1	2,718.7
Transport.....	592.8	47.5	640.3
Agriculture	25.8	3.4	29.2
Other	4,965.5	72.9	5,038.4
Total loans and advances	41,942.2	936.0	42,878.2
Less: Credit loss provision.....			(714.1)
Net loans and advances			42,164.1

As at 31 December 2006

	Performing	Non- performing	Total loans and advances
	<i>(AED millions)</i>		
Personal	3,881.8	871.1	4,752.9
Personal-Other	22,047.3	17.7	22,065.0
Government	2,838.0	0.0	2,838.0
Construction	1,712.1	211.4	1,923.5
Energy	1,410.0	5.3	1,415.3
Trading	2,570.2	74.1	2,644.3
Manufacturing	1,903.8	60.9	1,964.7
Financial institution	9,847.6	0.0	9,847.5
Transport	3,069.5	49.5	3,119.1
Agriculture	19.9	0.5	20.4
Other	12,689.7	127.1	12,816.8
Total loans and advances	61,989.9	1,417.6	63,407.5
Less: Credit loss provision			(982.9)
Net loans and advances			62,424.6

As at 31 March 2007

	Performing	Non- Performing	Total loans and advances
	<i>(AED millions)</i>		
Personal	5,673.6	265.7	5,939.3
Personal-Other	21,272.4	420.7	21,693.1
Government	894.6	–	894.6
Construction	2,022.1	103.9	2,126.0
Energy	896.4	5.3	901.7
Trading	3,704.5	64.5	3,769.0
Manufacturing	2,147.8	44.2	2,192.0
Financial institution	11,353.3	0.1	11,353.4
Transport	2,755.0	36.4	2,791.4
Agriculture	17.5	0.2	17.7
Other	13,526.7	71.2	13,597.9
Total loans and advances	64,263.9	1,012.2	65,276.1
Less: Credit loss provision			(981.3)
Net loans and advances			64,294.8

Guarantees and Other Contingent Liabilities

The maturity structure for ADCB's credit-related commitments and contingencies as at 31 December 2005 and 2006 and as at 31st March 2007 was as follows:

	Commitments and Contingencies Maturity Profile			
	Within 3 months	3 to 12 months	1 to 5 years	Total
	(AED millions)			
As at 31 December, 2005				
Letters of credit	1,880.3	513.9	33.1	2,427.3
Guarantees	7,533.3	1,434.2	1,246.2	10,213.7
Irrevocable commitments to extend credit	5,263.0	1,818.2	5,520.7	12,601.9
Commitments for future capital expenditure	–	19.7	–	19.7
Commitments to invest in non-trading investments.....	–	8.7	8.6	17.3
Total	14,676.6	3,794.7	6,808.6	25,279.9

	Commitments and Contingencies Maturity Profile			
	Within 3 months	3 to 12 months	1 to 5 years	Total
	(AED millions)			
As at 31 December, 2006				
Letters of credit	1,957.8	606.3	367.9	2,932.0
Guarantees	2,072.3	2,435.4	8,804.3	13,312.0
Irrevocable commitments to extend credit	8,761.9	3,569.8	10,595.3	22,927.0
Commitments for future capital expenditure	–	53.2	–	53.2
Commitments to invest in non-trading investments.....	–	–	8.6	8.6
Total	12,792.0	6,664.7	19,776.1	39,232.8

	Commitments and Contingencies Maturity Profile			
	Within 3 months	3 to 12 months	1 to 5 years	Total
	(AED millions)			
As at 31 March, 2007				
Letters of credit	875.7	1,111.0	341.8	2,328.5
Guarantees	1,977.5	2,331.5	9,745.0	14,054.0
Irrevocable commitments to extend credit	4,135.8	8,384.5	9,924.6	22,444.9
Commitments for future capital expenditure	–	50.9	–	50.9
Commitments to invest in non-trading investments.....	–	–	–	–
Total	6,689.0	11,877.9	20,011.4	38,878.3

Provisions for Credit Losses

The following table sets out the movements in provisions for credit losses for the years ended 31 December, 2005 and 2006 and as at 31 March, 2007 (for more information on non-performing loans and their distribution throughout economic sectors, see “*Loans and Advances by Economic Sector*”):

	As at		As at
	31 December		31 March
	2005	2006	2007
	<i>(AED millions)</i>		
Balance at the beginning of the year.....	793.1	714.1	982.9
Currency translation adjustment	(0.8)	0.7	0.8
Net amounts (written off)/written back	(290.5)	74.6	(45.6)
Recoveries.....	(106.3)	(145.8)	(44.9)
Charge for the period	318.6	339.3	88.2
Balance at the end of the year	<u>714.1</u>	<u>982.9</u>	<u>981.3</u>

The net charge to income on account of provision for possible credit losses was AED 193.4 million in 2006 (2005: AED 212.4 million). As a result, non-performing loans as a percentage of gross loans fell from 2.18 per cent. at 31 December, 2005 to 1.8 per cent. at 31 December, 2006 and the provision, as a percentage of non-performing loans, increased from 76.29 per cent. at 31 December, 2005 to 88.4 per cent. at 31 December, 2006. ADCB adopts a conservative approach towards provisioning in relation to loans and other credit and is in compliance with applicable regulations.

Capital Adequacy

ADCB is required to comply with capital adequacy requirements promulgated by the UAE Central Bank. The following table sets out capital adequacy information of ADCB as at 31 December, 2005 and 2006 and as at 31 March, 2007 in accordance with UAE Central Bank rules.

	As at		As at
	31 December		31 March
	2005	2006	2007
	<i>(AED millions)</i>		
Capital base	8,608.9	12,193.4	11,410.9
Risk weighted assets			
Off-balance sheet exposures	39,610.1	65,815.0	71,271.1
Balance sheet assets.....	6,303.2	9,103.7	9,609.5
Total risk weighted assets	<u>45,913.3</u>	<u>74,918.7</u>	<u>80,880.6</u>

As at 31 December, 2006, ADCB's capital adequacy ratio was 16.28 per cent., compared with 18.75 per cent. at 31 December, 2005. As at 31 March, 2007, ADCB's capital adequacy ratio was 14.11 per cent. Since 2003, ADCB has focused on utilising its capital more efficiently by participating in large syndicated loan and other transactions. ADCB has since sold on part of those participations and may sell further participations in the future. It anticipates that future retained earnings will increase its available capital.

Investments

The following table sets out details of the investment securities held by ADCB as at 31 December, 2005 and 2006 and as at 31 March, 2007.

	As at 31 December		As at 31 March
	2005	2006	2007
	<i>(AED millions)</i>		
Available for sale investments			
Quoted investments.....	372.7	1,855.3	2,799.2
Unquoted investments.....	1,136.6	1,583.3	194.1
Total available for sale	<u>1,509.3</u>	<u>3,438.6</u>	<u>2,999.3</u>
Held to maturity	<u>262.1</u>	<u>262.1</u>	<u>257.1</u>
Total non trading investments	<u>1,771.5</u>	<u>3,700.7</u>	<u>3,256.4</u>

- (1) Available for sale investments include an equity instrument for an amount of AED 51.0 million (2005: AED 51.0 million) which is carried at cost.
- (2) This figure has been derived from the issuers unaudited management data.
- (3) The fair value of held to maturity investments at 31 December 2006 approximates its carrying value (2005 approximates its carrying value).
- (4) Investments previously classified under "Originated bonds" have been reclassified under the "Available for Sale" category in accordance with revisions to International Accounting Standard 39, Financial Instruments: Recognition and Measurement, effective from 1 January 2006.

ADCB's investment policy is described further under "*Treasury and Investments Group – Investments Divisions*".

Related Party Transactions

ADCB enters into transactions with major shareholders, directors, senior management and their related concerns in the ordinary course of its business and at commercial interest and commission rates. As at 31 December, 2006, ADCB had made loans and advances to related parties totalling AED 36.0 million and had received customer deposits from related parties totalling AED 3,715.2 million. ADCB also had irrevocable commitments and contingencies to related parties of AED 74.9 million at 31 December, 2006.

Related party lending is regulated by the UAE Central Bank and limited (in the case of loans to directors) to 5 per cent. per individual case and 25 per cent. in aggregate of ADCB's capital funds. At 31 December, 2006, these limits amounted to AED 2.67 billion and AED 10.7 billion, being the capital base. Staff lending is also restricted by UAE Central Bank limits. The majority of ADCB's related party lending is collateralised.

DIRECTORS, MANAGEMENT AND EMPLOYEES

In accordance with applicable UAE law and ADCB's by-laws, ADCB's executive management is currently comprised of a Board of Directors, an Executive Committee and a number of appointed Board Committees.

The Board of Directors

The Board of Directors is required to meet at least once every two months but generally meets six to seven times per year. It is made up of nine members (the **Directors**). Abu Dhabi Investment Council (**ADIC**), being the majority shareholder, has the right to appoint up to five members of the Board, including the Chairman.

The Board of Directors maintains control over ADCB and monitors the executive management of ADCB. Set out below are the current Directors:

<u>Name</u>	<u>Positions</u>	<u>Non-group Directorships</u>
Saeed Mubarak Al Hajeri	Chairman of the Board; Chairman, Executive Committee; Strategy Committee Member; Member, Compensation Committee	Board Member, ADIA; Executive Director, Abu Dhabi Investment Authority (ADIA), Emerging Markets Department; Board Member, Emirates Telecommunications Corporation; Board Member, Higher Corporation for Specialised Economic Zones; Board Member, Dubai Cable Company.
Rashid Humaid Al Mazroei	Board Member Chairman, Audit Committee	Chairman, Bahri & Mazroei Trading Co., Dubai; Board Member, Dubai Chamber of Commerce & Industry; Member, Dubai Economic Board, Government of Dubai.
Abdulla Khalil Al Mutawa	Board Member Chairman, Strategy Committee Executive Committee Member	Office Manager, H.E. Sh. Suroor Bin Mohd Al Nahyan (Private Office); Director, Bank Alfalah Limited, Pakistan; Board Member, Warid Telecom, Pakistan; Board Member, Alfalah Exchange Company.

<u>Name</u>	<u>Positions</u>	<u>Non-group Directorships</u>
Aamer Abdul Jalil Al Fahim	Board Member; Audit Committee Member; Recoveries Committee Member	Member, UAE Federal National Council; Chairman, Aradi Properties P.J.S.C.; Board Member, Abu Dhabi Chamber of Commerce & Industry; Board Member, Al Wathba Insurance Company; Board Member, Al Qudra Holdings; Board Member, Al Safura Islamic Financial Services; Member, Executive Committee, Damas LLC, Board Member, International Investment Bank, Bahrain.
Mohamed Sultan Ghanoom Al Hameli	Board Member; Executive Committee Member; Strategy Committee Member; Audit Committee Member; Chairman HR Committee; Member, Compensation Committee	Assistant Director, ADIC, Equities, Europe Internal Department; Board Member, Abu Dhabi Development Fund; Board Member, Joint Arab Investment Corporation, Egypt; Board Member, Abu Dhabi Airport Company.
Mohamed Darwish Al Khouri	Board Member Strategy Committee Member	Deputy Director, ADIC. Emerging Markets Department; Board Member, National Marine Dredging Company.
Jean-Paul Villain	Board Member Audit Committee Member Strategy Committee Member Compensation Committee Chairman.	Head of Investment Strategy, ADIA.
Mohamed Ali Al Dhaberi	Board Member	Head of Accounting & Financial Services, ADIC.
Salem Mohamed Al Ameri	Board Member	Direct Investments Group, ADIC.

Board Committees

Each of the Committees is appointed by the Board of Directors and each Committee elects its own Chairman.

<u>Committee</u>	<u>Purpose</u>
Executive Committee	Mandated to take decisions for aggregated credit risks and exposures above AED 50 million up to AED 500 million. All credit limits above AED 500 million require approval of the full Board. The Committee also approves the credit policy and sets geographic and financial institutional limits.
Board Strategy Committee	Responsible for communicating the corporate vision into achievable operational objectives and the creation and monitoring of an overall strategic framework for ADCB. The management team represented by the Chief Executive Officer is responsible for implementing and reviewing strategies that have been agreed by the Strategy Committee.

<u>Committee</u>	<u>Purpose</u>
Board Recoveries Committee	Monitors the non-performing loan portfolio, reducing/restoring the non-performing element of advances to an acceptable level of total advances. The Recoveries Committee is mandated to approve restructuring and settlements up to a limit of AED 200 million and to approve write-offs up to AED 25 million. All amounts in excess of these figures require approval of the full Board. It also approves provisioning policies and monitors and co-ordinates recovery measures, including litigation if required.
Board Audit Committee	Ensures that the overall internal control environment of ADCB is implemented systematically and in compliance with UAE laws, Central Bank regulations and industry best practice. The Committee is responsible for overseeing the financial reporting process and the effectiveness of the system of internal controls and risk management, including investigative audits and reviews.
Compensation Committee	Responsible for all aspects of remuneration for ADCB senior management, including the Board, and compensation policies for all staff. The committee periodically reviews and recommends compensation of senior management taking into account annual results with regards to budget and individual performance measures of the management team. Such reviews also take into account competitors' salary and benefit structures, as appropriate.
Board Human Resources Committee	Responsible for the provision of an effective HR function. Since human capital is strategic to ADCB's future, the Committee's function is to oversee all matters relating to a competent and motivated workforce, which will support and deliver ADCB's strategic goals.
Management Committees	
Senior Management Committee	This is ADCB's principal executive management committee and comprises the Chief Executive Officer and nine members of senior management identified below under "Senior Management".
Asset and Liability Committee (ALCO)	Its main function is to measure, manage and control liquidity, interest rate and foreign exchange risks and capital adequacy issues arising from ADCB's lending, funding and investment activities. The mandate includes the regular reporting of a range of key quantitative data including computation of ADCB's cost of funds. Balance sheet management is a key task.
Management Credit Committee	Enables approval of credit above the authority of the Head of the Credit division, ensuring a framework for business development through systematic process and within established guidelines; defines credit policy; maintains a holistic risk management framework; and reviews provisions and policies.

<u>Committee</u>	<u>Purpose</u>
Investment Committee	Develops the trading and investment strategies and approves proprietary investments of ADCB. It ensures such activities are consistent with established risk management parameters and performance benchmarks established by the Board and its Committees, especially ALCO.
Liabilities Committee	Develops the funding strategy of ADCB including the creation of liabilities in the domestic retail and corporate markets and the international capital markets, reporting to ALCO.

Chief Executive Officer

ADCB's Chief Executive Officer is Mr Eirvin Knox who was appointed in November 2003 and is responsible for the day-to-day operation of ADCB within the policy established by the Board of Directors. Prior to taking up his appointment at ADCB, Mr Knox was Chief Executive Officer of Al Ahli Bank of Kuwait for three and a half years. Prior to this, Mr Knox had gained extensive experience in the banking industry with Standard Chartered Bank, Continental Bank and other leading banks in Holland, Italy, Australia, Thailand and the Philippines. Before taking on his international assignments, Mr Knox was a retail banker with Wells Fargo Bank in San Francisco and a structured trade specialist with Wells Fargo and Continental Bank in Los Angeles.

Senior Management

ADCB's senior management structure comprises 12 senior managers who all report to the Chief Executive Officer who in turn reports to the Board of Directors. The senior managers and their positions are as follows.

<u>Name</u>	<u>Position</u>
Ala'a Eraiqat	Head, UAE Banking Group*
Neil Sharp	Head, Treasury & Investments Group*
Seumas Gallacher	Head, Investment Banking Division*
Alok Kakar	Head, Corporate Finance Division*
Steve Dickens	Chief Operating Officer*
Darren Robinson	Chief Financial Officer*
Robert Price	Head, Credit Group*
Zaki Hamadani	Head, Legal and Special Assets Management
Sultan Mohd. Al Mahmoud	Head, Human Resources Group*
Yaser Mansour	Head, Corporate Communications & Board Secretary*
Abdirizak Ali Mohamed	Head, Internal Audit Department*

Note: * Member of the Senior Management Committee.

The address of each of the Directors, the Chief Executive Officer and the members of senior management named above is P.O. Box 939, Abu Dhabi, United Arab Emirates. As at the date of this Prospectus, none of the Directors, the Chief Executive Officer nor any member of senior

management named above have or has any actual or potential conflict of interest between his duties to ADCB and his private interests or other duties.

ADCB has recently moved into its new headquarters building. The new headquarters complements ADCB's rebranding and corporate communications strategies, including branch refurbishments commenced in 2004, and also enhances corporate visibility and customer reach.

Employees

As at 31 December 2006, ADCB employed 1,873 (including Indian Operations) staff members.

Following a major restructuring of ADCB in 2003, which included the redefinition of cost centres and business units, ADCB has made significant investments in human capital. Throughout 2004 and 2005, a number of senior executives were brought into ADCB to support the Chief Executive Officer in driving the strategic direction of ADCB.

Recruitment for ADCB's key initiatives has been an increasing focus of ADCB's human resources efforts. ADCB has strengthened both its Consumer and Corporate Banking operations and developed a direct sales force and call centre. In addition ADCB has a number of secondees through the strategic alliance with Macquarie Bank.

Training is a high priority within ADCB and courses for staff include corporate finance, anti money laundering, customer service, internal control and training in the use of ADCB's core banking system.

Emiratization

As part of a policy of "Emiratization", in 1999 UAE banks were instructed to increase the number of UAE nationals on their payroll by at least 4 per cent. per annum.

ADCB, in line with UAE government policy, has a commitment to employing and training UAE nationals. To this end, 68 UAE national trainees were recruited in 2006, with a further 85 to be recruited by the end of the year. Significant resources are dedicated to developing these trainees to the highest standards of the banking industry and trainees are sponsored to obtain recognised Institute of Banking qualifications. ADCB has one full time Emiratization Manager.

Remuneration Policy

ADCB has a variable pay scheme for middle and senior management under which performance bonuses are awarded based on annual performance appraisals. The bonus paid to individual employees is a function of their performance, the performance of their respective business unit and the performance of ADCB.

ADCB has an annual performance appraisal scheme for all staff and merit pay increases and bonuses are paid on the basis of performance rankings. ADCB is currently in the process of introducing an integrated performance management system for the entire bank, which will focus on the continual monitoring and management of the performance of employees.

ADCB also pays sales staff incentives for achieving sales and revenue targets.

OVERVIEW OF THE UNITED ARAB EMIRATES

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (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 his death in November 2004. Following his death, his son HH Sheikh Khalifa Bin Zayed Al-Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

The UAE is the third largest economy in the Arab world after Saudi Arabia and Egypt. It has a more diversified economy than most of the other countries in the GCC. The UAE has approximately 10 per cent. of proven global oil reserves (giving it the fifth largest oil reserves in the world, which would last for 100 years at current rates of production), which generate approximately one-third of the UAE's gross domestic product (GDP) and approximately one-half of export earnings. The UAE enjoys one of the highest GDP per capita in the region (being similar to that of Spain on a purchasing power parity basis).

According to Moody's Investors Service, Inc., (data extracted from Credit Opinion relating to the UAE dated 13 January 2007) real GDP growth in the UAE increased by 8.3 per cent. in 2006, although this figure is an estimate. The forecasted GDP growth for 2007 is 6.7 per cent. and for 2008, 6.1 per cent.

The UAE federal government's bond rating was upgraded from A1 in October 2006 to Aa3. In addition, the country ceiling for foreign currency bonds is rated at Aa2. Reasons cited for these high, investment grade ratings include "a high level of hydrocarbon exports per capita", a "vibrant" non-hydrocarbon economy, which is "growing rapidly, encouraged by the government's active promotion of the private sector and successful efforts to attract foreign investment" and "a large net foreign asset position" (extracts from Moody's Investors Service, Inc. Credit Opinion relating to the UAE dated 13 January 2007).

Abu Dhabi is the richest and largest of the seven Emirates and the city of Abu Dhabi is also the capital of the federation. During his long presidency, HH Sheikh Zayed oversaw massive investment in the infrastructure of the UAE, which has transformed the country.

Dubai is the second largest city and has a long history as a trading port. It has gradually reduced its dependency on oil and gas revenues. Under its present Ruler, HH Sheikh Mohammed Bin Rashid Al Maktoum, the Government of Dubai continues to invest heavily in the infrastructure of the Emirate and its economic development.

The UAE enjoys good relations with the other states in the GCC. However, it does have a long-standing territorial dispute with Iran over three islands in the Gulf and, as such, is not immune to the political risks that have over-shadowed the region.

THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

Summary

With 46 licensed banks (comprised of 21 locally-incorporated banks and 25 foreign banks) serving a population estimated to be in the region of over 4 million, the UAE could be viewed as an over-banked market, even by regional standards. UAE banks continue to be profitable and generally free from asset quality problems. The UAE's membership in the World Trade Organisation (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 both within the UAE and across the region generally.

As a bank regulator, the Central Bank monitors banks through its Banking Supervision Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all the returns submitted by the banks to the Central Bank. The Central Bank does not act as a lender of last resort, a role which tends to fall on the individual Emirs of each Emirate.

Characteristics of the Banking System

Domestic Focus

The UAE banks are predominantly focused on the domestic market.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks and telephone and Internet banking services. As a consequence, IT costs have been a prominent feature of many banks' expenses.

Limited Foreign Ownership

In 1987, the 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. The 25 foreign banks in the country currently have a 25 per cent. share of the market. As noted above, these restrictions will soon have to be reconsidered as part of the UAE's compliance with the WTO provisions. Under UAE law, locally incorporated banks must be majority-owned by UAE nationals.

Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, the UAE banks are vulnerable during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity.

Developing Capital Markets

The absence of mature bond and equity markets in the UAE means that banks have tended to 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. However, the two stock markets, the Dubai Financial Market and the Abu Dhabi Securities Market (both of which were established in 2000), continue to develop and the number of listed companies continues to increase.

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.

Islamic Finance and Banking

Islamic (Sharia') 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 transactions and are structured in such a way as to avoid the application of interest.

Legal Environment

There are three primary sources of law in the UAE: federal laws and decrees; local laws; and Sharia' (Islamic Law). The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the local government will apply their own rules, regulations and practices.

Supervision of Banks

The main piece of legislation covering the banking system is Union Law No. 10 of 1980 (the Union Law) which established the Central Bank. 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 denominations.

It is also the "bank for banks" in the country; however, it is not the "lender of last resort". In the event of a bank getting into financial difficulties or facing a solvency crisis, it would be expected that long-term liquidity or equity support would be provided by the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it would ultimately be the Government of Abu Dhabi who would stand as de facto defender of the currency and the lender of last resort.

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 to the banks, denominated in both U.S. dollars and dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is no secondary market in these securities, but they can be redeemed at face value at the Central Bank at any time.

The dirham is linked to the IMF Special Drawing Right. However, the U.S. dollar is the intervention currency and in reality the AED is fixed against the U.S. dollar. The fixed exchange rate (at 3.67 AED: 1 U.S. dollar) has been in place since the 1980s and has proved to be resilient both to geo-political tensions in the region and fluctuations in the oil prices.

The Central Bank is also responsible for regulating financial institutions in relation to money laundering controls. It has established a Financial Intelligence Unit, issued a number of detailed regulatory instructions in pursuit of anti money laundering policies and procedures, and hosted teams from the Financial Action Task Force (FATF) and the International Monetary Fund (IMF) who reviewed, discussed and tested existing UAE laws and regulations. This led the FATF to decide in January 2002 that the UAE had put in place adequate anti money laundering systems.

Accounting Standards

Since 1 January 1999 all UAE banks have been required to prepare their financial statements in accordance with International Financial Reporting Standards. This has led to a substantial improvement in disclosure standards.

Structure of the Banking System

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "local" banks, of which there were 21 at the end of 2005, are required to be public shareholding companies with a minimum share capital of AED 40 million.

Licensed foreign banks, of which there were 25 at the end of 2006, need to demonstrate that at least AED 40 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses “financial institutions” (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but are not permitted to accept funds in the form of deposits) and financial and monetary intermediaries (money and stock brokers).

Recent trends in Banking

Profitability

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determines government expenditure. High oil prices, high liquidity, strong retail demand due to booming non-oil economy in the last few years improved the profitability of the banking sector. The positive trend continued in 2005 and for the first nine months of 2006 due to the high credit and deposit growth in the region, which have been supported by a relatively low interest rate environment, high oil prices and a flourishing economy.

Capital

The national banks are well capitalised by international standards. The Central Bank requires all UAE banks to have capital adequacy ratios of 10 per cent., but many banks have capital adequacy ratios in excess of 15 per cent. This reflects a tendency amongst banks to be more concerned about safeguarding shareholders’ interests and capital preservation rather than maximising returns. Whilst the calculation of capital adequacy ratios in the UAE follows the BIS guidelines, GCC State sovereign debt is risk-weighted at zero per cent.

Lending and Asset Quality

Most of the larger national banks reported asset growth of over 20 per cent. for the year ended 31 December, 2005. With the economy buoyed by high oil prices in recent years, asset quality has been good.

Liquidity of Banks

Most of the UAE banks are funded through customer deposits, which are generally either individual or private sector. These two sectors together constitute 67 per cent. of the total deposits. Government and public sector contribute approximately 25 per cent. of total deposits. Non-resident and other sources contribute the remaining 8 per cent. As few banks have longer term funding, they maintain a significant part of their balance sheet in liquid assets. Loan-to-assets ratios are typically below 75 per cent.

Position of Depositors

There is no formal deposit protection schemes in the UAE. Whilst no bank, so far, has been permitted to fail, during the 1980s and early 1990s a number were rescued by the authorities.

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 monthly, quarterly, semiannually or annually, depending on the nature of the information they contain. An improved risk management framework is currently being implemented, which is designed to provide the

Central Bank with more up-to-date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Since 1993, the Central Bank has imposed a 10 per cent. minimum total capital ratio. The Tier 1 ratio must be above six per cent. and the Tier 2 capital must not exceed 67 per cent. of Tier 1 capital. Tier 2 capital includes undisclosed reserves, revaluations of assets (limited to a maximum of 45 per cent. of the excess of market value over net book value and property revaluation reserves are excluded), hybrid capital instruments and subordinated term loans. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital. GCC sovereign debt is risk-weighted at zero 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.

Liquidity of the Banking System

The Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum utilisation of funds to stable source of funds ratio of 100 per cent. set by the Central Bank. For this purpose, utilisations comprise loans and advances to customers and interbank assets maturing after three months. Sources of funds comprise 85 per cent. of deposits, 100 per cent. of interbank borrowings maturing after six months and free capital and reserves (net of fixed and illiquid assets).

Reserve Requirements

Reserve requirements are used periodically by the Central Bank as a means of prudential supervision and to control credit expansion.

Diversification of Risk

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, etc.

The Central Bank defines large exposures as any funded exposure to a single borrower or group of related borrowers exceeding a prescribed set of limits. The large exposure limits (defined as a percentage of the bank's capital base) are as follows:

- to a single borrower or group of borrowers - 7.0 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital - 7.0 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 - 5.0 per cent. (25 per cent. in aggregate).

Exposures above these limits are subject to Central Bank approval. Exposures to the government are exempt from the regulations.

The following lending limits also apply:

- no commercial bank can hold shares or bonds issued by commercial companies in excess of 25 per cent. of the bank's own funds; and
- no bank is permitted to grant loans or advances for the purpose of funding commercial or residential real estate exceeding 20 per cent. of its total deposits, unless it has prior authorisation from the Central Bank as an institution specialising in this type of business.

Financial Statements

The Central Bank has required all UAE banks to prepare their financial statements in accordance with International Financial Reporting Standards since 2001. With effect from 1 January 2001, banks were required to adopt IAS 39 treatment of financial instruments.

Provisions for Loan Losses

The Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent., respectively. Any loans with either interest or principal in arrears by more than 180 days must be placed on a non-accrual basis and classified as non-performing. Following the implementation of the Basel II requirements, this limit will be reduced to 90 days. 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.

TAXATION

United Arab Emirates

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, the Issuer has undertaken to gross-up any payments subject to such withholding, as described under “*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.

Furthermore the UAE has entered into “Double Taxation Arrangements” with certain other countries.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the laws of 21st June, 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3rd June, 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the

Territories), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 15 per cent. during the first three-year period starting 1st July, 2005, at a rate of 20 per cent. for the subsequent three-year period and at a rate of 35 per cent. thereafter. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 15 per cent.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23rd December, 2005 (the Law) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 6th June, 2006, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes 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 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. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

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.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

European Economic Area

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 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 Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000

and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, 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 the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC 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 Issuer; 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 Securities and Exchange Law of Japan (the **Securities and Exchange Law**) and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, 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 a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

United Arab Emirates

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes 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.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and 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 Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and 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.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 13th June, 2005 and by a resolution of the shareholders of the Issuer dated 12th June, 2005. The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 24th January, 2006, a resolution of the shareholders of the Issuer dated 11th April, 2006, a resolution of the Board of Directors of the Issuer dated 18th March, 2007 and a resolution by the Chief Executive Officer dated 7th June, 2007 pursuant to the authority delegated to him by the Board of Directors.

Listing and admission to trading

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Investment Services Directive (Directive 93/22/EEC).

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

- (a) the Memorandum and Articles of Association (with an English translation thereof) of the Issuer;
- (b) the audited financial statements (in English) of the Issuer in respect of the financial years ended 31 December, 2005 and 31 December, 2006, in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the most recently published audited annual financial statements (in English) of the Issuer and the most recently published unaudited interim financial statements (if any and in English) of the Issuer, in each case together with any audit or review reports prepared in connection therewith. The Issuer currently prepares condensed unaudited consolidated interim accounts on a quarterly basis;
- (d) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Base Prospectus;
- (f) any future base prospectuses, prospectuses, information memoranda and supplements (including Final Terms, save that a Final Terms relating to a Note which 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 will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

- (g) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, copies of this Base Prospectus, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (www.bourse.lu).

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-1885 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer since 31 March, 2007 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December, 2006.

Litigation

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

Auditors

The auditors of the Issuer are Deloitte & Touche, Chartered Accountants, who have audited the Issuer's accounts, without qualification, in accordance with International Financial Reporting Standards for each of the two financial years ended on 31 December, 2006. The auditors of the Issuer are not required to be a member of a professional body in the United Arab Emirates as such body does not exist there. However the auditors of the Issuer are registered under the Register of Practising Accountants at the UAE Ministry of Economy and Planning as required by the United Arab Emirates Federal Law No. 22 for the year 1995. The auditors of the Issuer have no material interest in the Issuer.

Post-issuance information

Except to the extent required by applicable law and regulation, the Issuer does not intend to provide any post-issuance information.

ISSUER

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United Arab Emirates

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