

## IMPORTANT NOTICE

**THIS BASE PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S) AND ARE OUTSIDE OF THE UNITED STATES.**

**IMPORTANT:** You must read the following notice before continuing. The following notice applies to the attached base prospectus following this page (the **Base Prospectus**), whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Base Prospectus. In reading, accessing or making any other use of the Base Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Base Prospectus, including any modifications made to them from time to time, each time you receive any information from the Government of Dubai (the **Issuer**) as a result of such access.

**RESTRICTIONS:** NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY NOTE TO BE ISSUED HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)) EXCEPT TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

WITHIN THE UNITED KINGDOM, THIS BASE PROSPECTUS IS DIRECTED ONLY AT (A) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE **FP ORDER**) OR (B) WHO ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) OF THE FP ORDER OR (C) TO WHOM IT MAY OTHERWISE LAWFULLY BE DISTRIBUTED IN ACCORDANCE WITH THE FP ORDER (ALL SUCH PERSONS IN (A), (B) AND (C) ABOVE TOGETHER BEING REFERRED TO AS **RELEVANT PERSONS**). THIS BASE PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS BASE PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE "*SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS*".

**CONFIRMATION OF YOUR REPRESENTATION:** In order to be eligible to view the Base Prospectus or make an investment decision with respect to the Notes described herein, (1) each prospective investor in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S must be a person other than a U.S. Person and (2) each prospective investor in respect of the securities being offered in the United Kingdom must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the attached document, you shall be deemed to have represented to Emirates NBD Bank PJSC, Mitsubishi UFJ Securities International plc, National Bank of Abu Dhabi PJSC, Standard Chartered Bank and UBS Limited (the **Dealers**) that (1) you have understood and agree to the terms set out herein, (2) you are (or the person you represent is) a person other than a U.S. Person, and that the electronic mail (or e-mail) address to which, pursuant to your request, the attached document has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) in respect of the Notes being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Dealers and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Notes.

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

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

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

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

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

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



GOVERNMENT OF DUBAI

U.S.\$5,000,000,000

## Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Base Prospectus (the “Programme”), the Government of Dubai (the “Issuer”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the “Notes”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$5,000,000,000 (or the equivalent in other currencies).

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “UK Listing Authority”) for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the “UKLA Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market. The London Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC (the “Markets in Financial Instruments Directive”).

Application has also been made for the Notes issued under the Programme for the period of 12 months from the date of this Base Prospectus to be approved by the Emirates Securities and Commodities Authority (“ESCA”), to be admitted to the Official List (the “DFM Official List”) of Securities of the Dubai Financial Market PJSC (“DFM”) and to list the Notes on the DFM. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be (i) approved by the ESCA, admitted to the DFM Official List and admitted to trading on the DFM, (ii) admitted to the UKLA Official List and admitted to trading on the London Stock Exchange’s regulated market or (iii) 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. References in this Base Prospectus to Notes being “listed” (and all related references) shall mean (in the case of Notes listed on the London Stock Exchange) that such Notes have been admitted to the UKLA Official List and admitted to trading on the London Stock Exchange’s regulated market and (in the case of Notes listed on the Dubai Financial Market) that such Notes have been approved by the ESCA, have been admitted to the DFM Official List and have been admitted to trading on the DFM. Copies of the Final Terms relating to any Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange.

Each Series (as defined in “Overview of the Programme - Method of Issue”) of Notes will be represented on issue by a temporary global note in bearer form (each a “temporary Global Note”) or a permanent global note in bearer form (each a “permanent Global Note”). Global Notes may be deposited on the issue date with a common depository on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) (the “Common Depository”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “Summary of Provisions Relating to the Notes while in Global Form”. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). For a description of certain restrictions on offers and sales of Notes and on the distribution of this Base Prospectus, see “Subscription and Sale”.

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

This Base Prospectus is issued in replacement of a Prospectus dated 28 October 2009 issued by the Issuer and accordingly supersedes that earlier Prospectus. This does not affect any Notes issued by the Issuer prior to the date of this Base Prospectus.

### Arrangers and Dealers for the Programme

Mitsubishi UFJ Securities  
International plc

Standard Chartered Bank

UBS Investment Bank

### Dealers for the Programme

Emirates NBD

National Bank of Abu Dhabi

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

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

**No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of 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 or the Arrangers (as defined in “Overview of the Programme”). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.**

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

**This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Arrangers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Arrangers 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), the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the Kingdom of Saudi Arabia and Japan; see “Subscription and Sale”.**

**This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer, any Arranger or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer, any Arranger nor any Dealer has authorised, nor does any of them authorise, the making of any offer of Notes in circumstances in which**

**an obligation arises for the Issuer, any Arranger or any Dealer to publish or supplement a prospectus for such offer.**

**None of the Dealers, any Arranger or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of any Notes.**

**Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Base Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained prior to the deadline specified for any such consent or approval. The Issuer, the Arrangers and the Dealers are not responsible for compliance with these legal requirements. The appropriate characterisation of the Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase any Notes, is subject to significant interpretative uncertainties.**

**This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.**

**Certain information under the headings “*Risk Factors*”, “*Economy of Dubai*”, “*Balance of Payments and Foreign Trade*”, “*Monetary and Financial System*” and “*Public Finance*” have been extracted from information provided by the UAE Central Bank, Dubai Electricity and Water Authority, Dubai Ports Authority, Dubai Technology and Media Free Zone, Dubai International Financial Centre, Dubai Airport Free Zone and Jebel Ali Free Zone (in the case of “*Economy of Dubai*”), the UAE Central Bank and the International Monetary Fund (the “*IMF*”) (in the case of “*Balance of Payments and Foreign Trade*”), the UAE Central Bank, NASDAQ Dubai and the Dubai Financial Market (in the case of “*Monetary and Financial System*”) and the Investment Corporation of Dubai (in the case of “*Public Finance*”). 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 each of the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.**

**The Arrangers and the Dealers have not separately verified the information contained in this Base Prospectus. None of the Dealers or the Arrangers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.**

**In connection with the issue of any Tranche (as defined in “*Overview of the Programme - Method of Issue*”), the Dealer or Dealers (if any) named as the stabilising manager(s) (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 any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche 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 and 60 days after the date of the allotment of the relevant Tranche. 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.**

**In this Base Prospectus, unless it is otherwise specified or the context otherwise requires, references to “Dirham” and “AED” are to the currency of the United Arab Emirates (“UAE”), to “U.S.\$” and “dollars” are to the currency of the United States of America and to “€” and “Euro” are to the currency of those member states of the European Union which are participating in the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.**

**This Base Prospectus contains a conversion of certain AED amounts into dollars at specified rates solely for the convenience of the reader. These conversions should not be construed as representations that the AED amounts actually represent such dollar amounts or could actually be converted into dollars at the rate indicated. The Dirham has been pegged to the dollar at a fixed exchange rate of AED 3.6725 = U.S.\$ 1.00 since 22 November 1980 and, unless otherwise indicated, dollar amounts in this Base Prospectus have been converted from AED at this exchange rate.**

#### **NOTICE TO BAHRAIN RESIDENTS**

The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy or completeness of the statements and information contained in this Base Prospectus and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Base Prospectus. Each potential investor resident in Bahrain intending to subscribe for Notes (each, a “potential investor”) may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase Notes within a reasonable time period determined by the Issuer and the Dealers. Pending the provision of such evidence, an application to subscribe for Notes will be postponed. If a potential investor fails to provide satisfactory evidence within the time specified, or if a potential investor provides evidence but none of the Issuer or the Dealers are satisfied therewith, its application to subscribe for Notes may be rejected, in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any potential investors, the Issuer will comply with Bahrain’s Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and various Ministerial Orders issued thereunder including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions’ Obligations Concerning the Prohibition and Combating of Money Laundering.

#### **KINGDOM OF SAUDI ARABIA NOTICE**

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

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

#### **SUPPLEMENTARY BASE PROSPECTUS**

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes, whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of

the financial, economic and political condition of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

### **PRESENTATION OF STATISTICAL INFORMATION**

The Dubai Statistics Centre uses international standards established by the System of National Accounts adopted by the United Nations Statistical Commission in 1993 (an internationally agreed standard set of recommendations on how to compile measures of economic activity) to calculate GDP based on a production approach. There has been no material change in methodology used by the Dubai Statistics Centre since 2006. Statistics for 2006 were calculated by reference to an establishment frame available at that time using annual surveys. For 2007 and 2008, the Dubai Statistics Centre used the same establishment frame using re-estimated data based on annual surveys. In 2009, the Dubai Statistics Centre updated the establishment frame to use volume indicators (as opposed to annual surveys), leading to revisions to the time series from 2006 through 2008. Since 2009, no further material changes have been made to the methodology by the Dubai Statistics Centre.

Investors should also note that all economic statistics for 2010 set out in this Base Prospectus are preliminary, and these statistics, as well as those for earlier years, are subject to revision and change. In particular, the 2010 figures set out in Dubai's budget for 2011 are preliminary estimates which are subject to change.

The statistical information in this Base Prospectus has been derived from a number of different identified sources. Certain information (for example information relating to the balance of payments and information on the banking sector) is only available on a federal basis relating to the entire UAE and investors should note that Dubai's own position may differ in material respects from the position at an overall federal level. All statistical information provided in this Base Prospectus may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times.

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## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. All 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.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*If any of the risks described below actually materialise, the trading price of the Notes could decline and investors could lose all or part of their investment.*

*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 and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) 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 political and economic issues***

Dubai enjoys a relatively diverse economy, with the oil and gas sector accounting for less than two per cent. of Dubai's gross domestic product ("GDP") in 2010. However, any significant impact on international oil prices may have a negative impact on regional spending and liquidity and consequently is likely to affect Dubai's economy indirectly through its impact on the trade, construction, real estate, tourism and banking sectors in particular, given also the openness of the economy with no capital or exchange controls. In addition the UAE has a relatively high ratio of banking assets to GDP.

Dubai is also dependent on expatriate labour and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to the emirate. These steps make it potentially more vulnerable should regional instability increase or foreign militants commence operations in the emirate.

During the second half of 2008 and into 2009, world oil prices fell by approximately 70 per cent. from their peak level of U.S.\$147 per barrel of Murban crude oil reached in July 2008 to around U.S.\$45 per barrel in February 2009. Oil prices remain volatile and have the potential to adversely effect the economy in the future. In addition, the credit crisis in the global financial markets, which was particularly acute in 2008 and 2009, and the resultant deterioration in the global economic outlook led to a general reduction in liquidity and available financing and generally increased financing costs. These events affected Dubai and the UAE in a number of ways. First, GDP was adversely affected in 2009 reflecting the significant contributions of the oil and gas sector to UAE's GDP and, in the case of Dubai, through the impact of these events on the construction and real estate sectors. Second, the UAE's trade surplus declined in 2009 reflecting the reduced value of hydrocarbon exports and its current account balance was additionally impacted as a result of declining services receipts and lower investment income. Third, certain entities wholly-owned by the Government of Dubai ("GREs") have suffered from asset value deterioration, limited cash flow and liquidity shortages as a result of the global financial crisis. Whilst not legally obliged to do so (under any guarantee or otherwise), the Government of Dubai announced its intention to support certain GREs in order to maintain stability in the UAE economy, the banking system and investor confidence. See "*—Support Fund*" below and "*Public Finance - Dubai Financial Support Fund*".

#### ***Impact of the global financial crisis on the UAE and Dubai's banking sector***

Since the second half of 2008 and for most of 2009, a liquidity crisis existed in the global credit markets which initially arose because of a large number of borrower defaults in the sub-prime mortgage financing market in the United States of America, but which expanded to affect all levels of the international economy.

Liquidity is essential to the performance of the banking sector and the UAE financial markets experienced comparatively reduced levels of liquidity from the third quarter of 2008 and through 2009. During this period, a number of measures were taken in an attempt to improve the liquidity levels in the UAE by the UAE Ministry of Finance and the Central Bank of the UAE (the “UAE Central Bank”), including regular contact and intervention with respect to UAE banks to provide liquidity to the market. While the liquidity situation has improved, there is no guarantee that it will continue to improve and any future shortage of liquidity in the UAE and Dubai financial markets could have an adverse effect on the Government of Dubai.

In addition, the global financial crisis accentuated the credit risks that are normally faced by banks operating in the credit markets. While the credit markets have improved since the global financial crisis, enhanced credit risks could arise from a general deterioration in local or global economic conditions or from systemic risks within the financial systems.

### ***Current regional political instability***

Although Dubai and the UAE enjoy domestic political stability and generally healthy international relations, as a country located in the MENA region, there is a risk that regional geopolitical instability could impact the country, and it should be noted that in the first half of 2011 there was significant political and social unrest, including violent protests and armed conflict, in a number of countries in the MENA region. The situation has caused significant disruption to the economies of affected countries and has had a destabilising effect on oil and gas prices. Continued instability affecting the countries in the MENA region could adversely impact the UAE, although to date the impact on Dubai and the UAE has not been significant.

Other potential sources of instability in the region include a worsening of the situation in Iraq, a further impairment in the current poor relations between the United States and either or both of Syria and Iran and an escalation in the Israeli-Palestinian conflict.

### ***Contingent Liabilities***

The Dubai government has significant investments in GREs, which in many cases support or facilitate the Dubai government’s strategic plan and collectively have revenues considerably in excess of those of the Dubai government itself. The Dubai government has in the past provided significant financial support to companies in which it has ownership interests and other systemically important entities, including, most recently, AED 4 billion in capital injections to Emirates NBD Bank PJSC through the Investment Corporation of Dubai.

The information provided on page 94 of this Base Prospectus in relation to the Dubai government’s indebtedness as at 20 May 2011 identifies that certain strategic GREs have significant borrowings which are not direct obligations of the Government of Dubai. If any of these entities are unable to, or are potentially unable to, fulfil their debt obligations, the Government of Dubai, although not legally obliged to do so and without any obligation whatsoever, may at its sole discretion decide to extend such support as it may deem suitable, and based on such terms as it may deem suitable, to any such entities in order to allow them to meet their debt obligations.

Investors should note that consolidated reporting of the assets and liabilities of Dubai’s GREs is not available and, as such, the overall financial position and potential future financing requirements of Dubai’s GREs may not yet have been fully identified. In its UAE 2011 Article IV Consultation, the International Monetary Fund (the “IMF”) noted that GREs have contributed significantly to the UAE’s economic growth but that the recent bailouts, the size of Dubai’s GRE debt and the significant short- and medium-term roll-over needs posed significant risks. The IMF recommended that, in order to contain these risks, better GRE governance, as well as assessing, monitoring, reporting and disclosing GRE contingent liabilities in government accounts, would be required. The IMF considered containing GRE borrowing to be key for fiscal sustainability at the emirate level.

### ***Support Fund***

The Government of Dubai has established the Dubai Financial Support Fund (the “DFSF”) to provide support to strategic entities which require financial assistance but are able to demonstrate sustainable business plans, the on-going support of their existing financial creditors and realistic prospects of fulfilling their repayment obligations. The DFSF has been capitalised in the amount of U.S.\$10 billion which the Government of Dubai has borrowed from the UAE Central Bank and a subsequent additional capitalisation in the amount of up to U.S.\$10 billion from the Government of Abu Dhabi, National Bank of Abu Dhabi PJSC and Al Hilal Bank PJSC. The expectation is that the entities supported by the DFSF will be able to repay such support in a timely manner (whether through the proceeds of asset sales, refinancing or internal cash generation) and that this will enable the Government of Dubai to repay the amounts borrowed by the DFSF when such amounts become due. No assurance can be given that all entities supported by the DFSF will be able to repay their support in a timely manner as this will be dependent on a variety of factors beyond the Government of Dubai’s control.

### ***Statistical Information***

The statistical information in this Base Prospectus has been derived from a number of different identified sources. Certain information (for example information relating to the balance of payments and information on the banking sector) is only available on a federal basis relating to the entire UAE and investors should note that Dubai’s own position may differ in material respects from the position at an overall federal level. All statistical information provided in this Base Prospectus may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times.

Investors should note that no capital account data for the balance of payments is disclosed and that the Government of Dubai and the governments of other emirates have significant off-budget investments of varying sizes. There is no official information on either the aggregate amount or maturity profile of the indebtedness of Dubai’s GREs.

Investors should also note that all economic statistics for 2010 set out in this Base Prospectus are preliminary, and these statistics, as well as those for earlier years, are subject to revision and change. In particular, the 2010 figures set out in Dubai’s budget for 2011 are preliminary estimates which are subject to change.

### ***Enforcement of Liabilities; Waiver of Immunity***

If the Issuer fails to comply with its obligations under the Notes, it may be necessary to bring an action against the Issuer to enforce its obligations, which may be costly and time-consuming.

Under the Terms and Conditions of the Notes, any dispute arising from the Notes may be referred to arbitration in Paris under the rules of arbitration of the LCIA (formerly known as the London Court of International Arbitration). The New York Convention entered into force in the UAE on 19 November 2006. However, the UAE and France signed a bilateral convention for the mutual enforcement of arbitration awards in 1991, which was ratified by the UAE in 1992. The provisions of the New York Convention are stated not to affect the validity of any bilateral enforcement convention, nor to deprive a party of any right they may have under such a convention. The UAE courts should therefore give precedence to the provisions of the bilateral enforcement treaty over the provisions of the New York Convention, but this has yet to be tested in the UAE. Any arbitration award rendered in Paris should therefore be enforceable in the UAE in accordance with the terms of the bilateral convention. The bilateral enforcement treaty between the UAE and France contains broadly similar conditions for enforcement to those under the New York Convention, i.e. UAE courts should recognise and enforce French arbitration awards if the other requirements of the bilateral convention between the UAE and France are met.

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

certainty that in those circumstances the Dubai courts would give effect to such documents in the same manner as the parties may intend.

Judicial precedent in the UAE has no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty.

Federal Law No. 11 of 1992 grants to the Government of Dubai and its affiliates immunity in respect of its assets. The Issuer has waived its rights in relation to sovereign immunity (subject to Federal Law No. 11 of 1992 which cannot be waived by the Ruler or Government alone), however there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Notes, the Agency Agreement (as defined in “Terms and Conditions of the Notes”) and the Dealer Agreement (as defined in “Subscription and Sale”) are valid and binding under the laws of the UAE and applicable in Dubai.

### ***Claims for Specific Enforcement; Damages***

In the event that the Government of Dubai fails to perform its obligations under the Programme then the potential remedies available to Noteholders include obtaining an order for specific enforcement of the Government of Dubai’s obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement which is a discretionary matter.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Issuer to mitigate. No assurance is provided on the quantum of damages which a court may award in the event of a failure by the Government of Dubai to perform its obligations set out in the Agency Agreement or the Deed of Covenant.

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

#### ***Notes May Not be a Suitable Investment for All Investors***

Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances. In particular, each potential investor should:

- (i) 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 in this Base Prospectus or any applicable supplement;
- (ii) 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 such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (iv) understand thoroughly the terms of the Notes; and
- (v) 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.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such 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 certain such features.

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

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) 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 is likely to be magnified; and
- (vii) 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.

### ***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 its 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 related features, their market values may be even more volatile than those of 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 the London Inter-bank Offered Rate (“LIBOR”), the Euro-zone Inter-bank Offered Rate (“EURIBOR”) or the United Arab Emirates Inter-bank Offered Rate (“EIBOR”). The market values of such 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 the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such 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, 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, 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 to their nominal 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.

### **Risks Related to the Notes Generally**

#### ***Modification, Waivers and Substitution***

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

The Terms and Conditions of the Notes also provide that the Notes and such Conditions may, subject to the prior written approval of the Issuer, be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

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

Under EC Council Directive 2003/48/EC on the taxation of savings income, EU Member States are required 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 or to certain limited types of entities established 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). Belgium will change to a provision of information system from 1 January 2010. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to EC Council Directive 2003/48/EC on the taxation of savings income, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State (or, in certain cases, through a relevant non-EU country or territory) 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, 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 Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

### ***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.

### **Risks Related to the Market Generally**

#### ***The Secondary Market Generally***

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be 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.

#### ***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 (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) 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 the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

#### ***Legal Investment Considerations May Restrict Certain Investments***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) 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 the Notes under any applicable risk-based capital or similar rules.

***Interests of the Dealers***

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, in the ordinary course of business.

The Issuer holds 55.64 per cent. of the outstanding shares of Emirates NBD Bank PJSC.

## **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) the Terms and Conditions of the Notes contained in the Base Prospectus dated 28 October 2009, pages 18-37 (inclusive) prepared by the Issuer in connection with the Programme; and
- (b) the amendment to the Terms and Conditions of the Notes described in (a) above contained in the Base Prospectus Supplement dated 27 September 2010, pages 57-58 (inclusive) prepared by the Issuer in connection with the Programme.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority 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 specified office of the Paying Agent for the time being in London.

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

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.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the relevant Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.*

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in “Summary of provisions relating to the Notes while in Global Form” and “Terms and Conditions of the Notes” shall have the same meanings in this overview.

<b>Issuer:</b>	Government of Dubai
<b>Description:</b>	Euro Medium Term Note Programme
<b>Size:</b>	Up to U.S.\$5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arrangers:</b>	Mitsubishi UFJ Securities International plc Standard Chartered Bank UBS Limited
<b>Dealers:</b>	Emirates NBD Bank PJSC National Bank of Abu Dhabi P.J.S.C. Mitsubishi UFJ Securities International plc Standard Chartered Bank UBS Limited

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to “Permanent Dealers” are to the persons listed above as Arrangers and Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale”) including the following restrictions applicable at the date of this Base Prospectus.
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### **Notes having a maturity of less than one year**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the 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

(“FSMA”) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent; see “Subscription and Sale”.

<b>Fiscal Agent and Paying Agent:</b>	Deutsche Bank AG, London Branch
<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the “Final Terms”).
<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
<b>Form of Notes:</b>	The Notes may be issued in bearer form only (“Bearer Notes”). Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date, otherwise such Tranche will be represented by a permanent Global Note.
<b>Clearing Systems:</b>	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
<b>Initial Delivery of Notes:</b>	On or before the issue date for each Tranche, the Global Note representing Bearer Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer.
<b>Currencies:</b>	Subject to compliance with all relevant laws, regulations and directives, any currency agreed between the Issuer and the relevant Dealer.
<b>Maturities:</b>	Subject to compliance with all relevant laws, regulations and directives, any maturity.
<b>Specified Denomination:</b>	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see “Certain Restrictions: Notes having a maturity of less than one year” 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).

**Fixed Rate Notes:** Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Notes:** Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) 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 Notes of the relevant Series;
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

Interest periods will be specified in the relevant Final Terms.

**Zero Coupon Notes:** Zero Coupon Notes (as defined in “Terms and Conditions of the Notes”) may be issued at their nominal amount or at a discount to it and will not bear interest.

**Dual Currency Notes:** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in “Terms and Conditions of the Notes”) will be made in such currencies and based on such rates of exchange as may be specified in the relevant Final Terms.

**Index Linked Notes:** Payments of principal in respect of Index Linked Redemption Notes (as defined in “Terms and Conditions of the Notes”) or of interest in respect of Index Linked Interest Notes (as defined in “Terms and Conditions of the Notes”) will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.

**Interest Periods and Interest Rates:** The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Redemption:** The relevant Final Terms will specify the basis for calculating the redemption amounts payable.

**Redemption by Instalments:** The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

<b>Other Notes:</b>	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and the supplementary prospectus.
<b>Optional Redemption:</b>	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
<b>Status of Notes:</b>	The Notes will constitute unsubordinated and (subject to Condition 3) unsecured obligations of the Issuer, all as described in “Terms and Conditions of the Notes - Status”.
<b>Negative Pledge:</b>	Yes. The terms of the Notes will contain a negative pledge provision as further described in “Terms and Conditions of the Notes - Negative Pledge”.
<b>Cross Default:</b>	Yes. Threshold: U.S.\$50,000,000. See “Terms and Conditions of the Notes - Events of Default”.
<b>Ratings:</b>	The Programme is not rated by any rating agency.
<b>Early Redemption:</b>	Except as provided in “- Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes - Redemption, Purchase and Options”.
<b>Withholding Tax:</b>	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the UAE subject to customary exceptions, all as described in “Terms and Conditions of the Notes - Taxation”.
<b>Governing Law:</b>	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
<b>Listing and Admission to Trading:</b>	Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the UKLA Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange’s regulated market. Application has also been made to list Notes issued under the Programme on the DFM Official List and to admit them to trading on the Dubai Financial Market. As specified in the relevant Final Terms, a Series of Notes may be unlisted or listed or admitted to trading, as the case may be, on such other or further stock exchanges as may be agreed between the Issuer and the relevant Dealer.
<b>Selling Restrictions:</b>	The United States, the European Economic Area (including the United Kingdom), the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “Subscription and Sale”. 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 AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

*Copies of the relevant Final Terms are available for viewing at the registered office of the Issuer and of the Fiscal Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC), the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity.*

The Notes are issued pursuant to an Amended and Restated Agency Agreement (as further amended or supplemented as at the Issue Date, the “Agency Agreement”) dated 10 June 2011 between the Issuer, Deutsche Bank AG, London Branch as fiscal agent and the other agents named in it. The fiscal agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Fiscal Agent”, the “Paying Agents” (which expression shall include the Fiscal Agent) and the “Calculation Agent(s)”. The Noteholders (as defined below), the holders of the interest coupons (the “Coupons”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “Talons”) (the “Couponholders”) and the holders of the receipts for the payment of instalments of principal (the “Receipts”) relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement and the Deed of Covenant (as defined below) applicable to them.

The Noteholders, the Couponholders and the Receiptholders are entitled to the benefit of the Deed of Covenant (the “Deed of Covenant”) dated 10 June 2011 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*.

As used in these Conditions, “Tranche” means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of the Paying Agents.

### **1 Form, Denomination and Title**

The Notes are issued in bearer form (“Bearer Notes”) in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt,

Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, “Noteholder” means the bearer of any Bearer Note and the Receipts relating to it, “holder” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## **2 Status**

The Notes and the Receipts and Coupons constitute (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

## **3 Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer will not create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a “Security Interest”), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness or Relevant Sukuk Obligation, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In these Conditions:

“Financially Independent Entity” means (i) any governmental entity that is deemed as having financial independence in accordance with Article (5) of Law No. 35 of 2009 Concerning the Management of the Public Assets of the Government of Dubai, and (ii) each of the Roads and Transport Authority (RTA), the Dubai Civil Aviation Authority (DCAA), Dubai Electricity and Water Authority (DEWA), Investment Corporation of Dubai (ICD), Department of Petroleum Affairs and the Dubai Financial Support Fund (DFSF) and any entity that is a successor thereto;

“Non-Recourse Project Financing” means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that (i) any Security Interest given by the Issuer is limited solely to assets of the project, (ii) the person or persons providing such financing expressly agrees to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to the Issuer in respect of any default by any person under the financing;

“Permitted Security Interest” means:

- (a) any Security Interest created or granted by any Financially Independent Entity;
- (b) any Security Interest created or granted by the Issuer in relation to assets operated by any Financially Independent Entity;
- (c) any Security Interest created or granted by the Issuer in relation to revenue generated or collected by any Financially Independent Entity;
- (d) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Notes;

- (e) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer and not created in contemplation of such acquisition; and
- (f) any renewal of or substitution for any Security Interest permitted by paragraphs (a) to (e) of this definition, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

“Relevant Indebtedness” means any indebtedness, other than indebtedness incurred in connection with Non-Recourse Project Financing or a Securitisation, which is in the form of, or represented or evidenced by, certificates, bonds, notes, debentures or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“Relevant Sukuk Obligation” means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates, whether or not in return for consideration of any kind, which for the time being are, or are intended to be or are capable of being quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

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

#### **4 Interest and other Calculations**

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business

Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period, unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean 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), Brussels time (in the case of EURIBOR) or Dubai time (in the case of EIBOR)) on the Interest Determination Date in question as determined by the Calculation 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR or EIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

- (y) if the Relevant Screen Page is not available or, if sub paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if subparagraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the

Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is EIBOR, the principal Dubai office of each of the Reference Banks, as the case may be, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is the London Inter-bank Offered Rate (“LIBOR”), the Euro-zone Inter-bank Offered Rate (“EURIBOR”) or the United Arab Emirates Inter-bank Offered Rate (“EIBOR”), as the case may be, at approximately 11.00 a.m. (London time (in the case of LIBOR), Brussels time (in the case of EURIBOR) or Dubai time (in the case of EIBOR)) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is EIBOR, at approximately 11.00 a.m. (Dubai time), in each case, on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is EIBOR, the United Arab Emirates inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is EIBOR, at approximately 11.00 a.m. (Dubai time), as the case may be, on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Fiscal Agent and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market, if the Reference Rate is EURIBOR, the Euro-zone inter bank market or, if the Reference Rate is EIBOR, the United Arab Emirates inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).
- (iv) Rate of Interest for Index Linked Interest Notes: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **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 hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph;
  - (ii) if any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be; and
  - (iii) for the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.
- (h) **Calculations:** The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest, the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination by the Day Count Fraction unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as

the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified hereon; and
- (ii) either (x) 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 (y) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “TARGET2 System”) is open;

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the “Calculation Period”):

- (i) if “Actual/Actual” or “Actual/Actual - ISDA” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified hereon, 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 hereon, the actual number of days in the Calculation Period divided by 360;

- (v) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30.

- (vi) if “30E/360” or “Eurobond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30

- (vii) if “30E/360 (ISDA)” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless

(i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30

(viii) if “Actual/Actual (ICMA)” is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Determination Date” means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

“Interest Amount” means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

“Interest Commencement Date” means the Issue Date or such other date as may be specified hereon;

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, the day falling two Dubai Business Days prior to the first day of such Interest Accrual Period;

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon;

“ISDA Definitions” means 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 this Note, unless otherwise specified hereon;

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

“Reference Banks” means: (i) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market; (ii) in the case of a determination of EURIBOR, the principal London office of four major banks in the Euro-zone inter-bank market; and (iii) in the case of a determination of EIBOR, the principal Dubai office of four major banks in the United Arab Emirates inter-bank market, in each case, as selected by the Calculation Agent or as specified hereon;

“Reference Rate” means the rate specified as such hereon;

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified hereon; and

“Specified Currency” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

- (k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 5 Redemption, Purchase and Options

### (a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such

Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

**(b) Early Redemption:**

- (i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in paragraph (i) above) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified hereon.

- (c) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (d) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (e) **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 provisions specified hereon.
- (f) **Purchases:** The Issuer may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (g) **Cancellation:** All Notes purchased by or on behalf of the Issuer may be surrendered for cancellation by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 6 Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(d)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(d)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with a bank in the principal financial centre for such currency.

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:

- (i) 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;
- (ii) 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
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

- (b) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (c) **Appointment of Agents:** The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) such other agents as may be required by any other stock exchange on which the Notes may be listed and (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income 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 in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (a) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (d) **Unmatured Coupons and Receipts and unexchanged Talons:**
- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), such Bearer Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).
  - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note or Index Linked Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
  - (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
  - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
  - (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexpired Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note representing it, as the case may be.
- (e) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).
- (f) **Payment Day:** If any date for payment in respect of any Note, Receipt or Coupon is not a Payment Day, the holder shall not be entitled to payment until the next following Payment Day nor to any interest or other sum in respect of such postponed payment.

For these purposes, "Payment Day" means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) London;
  - (C) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (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 (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## 7 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the UAE or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the UAE or any political subdivision or authority thereof other than the mere holding of the Note, Receipt or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or
- (c) **Payment to individuals:** 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

other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (d) **Payment by another Paying Agent:** 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 in these Conditions, “Relevant Date” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any additional amounts that may be payable under this Condition.

## 8 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 9 Events of Default

If any of the following events (“Events of Default”) occurs and is continuing, the Fiscal Agent shall, upon receipt of written request to the Issuer at the specified office of the Fiscal Agent from holders of not less than 25 per cent. in aggregate outstanding principal amount of the Notes, declare all the Notes immediately due and payable, at their Early Redemption Amount together with accrued interest (if any), without further formality:

- (i) **Non-Payment:** default is made for more than 30 days (in the case of interest) or 14 days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or
- (ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 45 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or
- (iii) **Cross-Default:** (A) any other present or future Indebtedness or Sukuk Obligation of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default (howsoever described), or (B) any such Indebtedness or Sukuk Obligation is not paid when due or, as the case may be, within any applicable grace period provided that the aggregate amount of the relevant Indebtedness or Sukuk Obligation in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds U.S.\$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or
- (iv) **Moratorium:** the Issuer shall enter into an arrangement with its creditors generally for the rescheduling or postponement of its debts, or a moratorium on the payment of principal of, or interest on, all or any part of the Indebtedness or Sukuk Obligation of the Issuer shall be declared; or
- (v) **Unlawfulness or invalidity:** the validity of the Notes is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes or as a result of any change in, or amendment to, the laws or

regulations in the United Arab Emirates or the Emirate of Dubai, which change or amendment takes place after the date on which agreement is reached to issue the first Tranche of the Notes, (i) it becomes unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement or (ii) any of such obligations becomes unenforceable or invalid.

Upon such declaration by the Fiscal Agent, the Fiscal Agent shall give notice thereof to the Issuer and to the holders of Notes in accordance with Condition 13.

In these Conditions:

“Indebtedness” means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments); and

“Sukuk Obligation” means any undertaking or other obligation, and any guarantee or indemnity in respect of any undertaking or other obligation, to pay any money given in connection with the issue of trust certificates whether or not in return for consideration of any kind.

## **10 Meeting of Noteholders and Modifications**

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined below) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, provided, however, that any proposals relating to a Reserved Matter may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than 75 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

If a resolution is brought in writing, such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Extraordinary Resolution:** In these Conditions “Extraordinary Resolution” means:
- (i) in relation to any Reserved Matter:
    - (A) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the principal amount of the Notes for the time being outstanding; or
    - (B) a resolution in writing signed by or on behalf of holders of not less than 75 per cent. of the principal amount of the Notes for the time being outstanding; and
  - (ii) in relation to any other matter:
    - (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 66.67 per cent. of the aggregate principal amount of the outstanding Notes which are represented at that Meeting; or
    - (b) a resolution in writing signed by or on behalf of holders of not less than 66.67 per cent. of the outstanding principal amount of the Notes for the time being outstanding.

- (c) **Reserved Matter:** In these Conditions “Reserved Matter” means any proposal to:
- (i) change any date, or the method of determining the date, fixed for payment of principal or interest in respect of the Notes or to reduce the amount of principal, premium or interest payable on any date in respect of the Notes;
  - (ii) effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
  - (iii) reduce or cancel the principal amount of the Notes;
  - (iv) reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes;
  - (v) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum;
  - (vi) vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount;
  - (vii) vary any currency in which any payment in respect of the Notes is to be made;
  - (viii) amend the status of Notes under Condition 2;
  - (ix) amend the negative pledge provision set out in Condition 3;
  - (x) amend the obligation of the Issuer to pay additional amounts under Condition 7;
  - (xi) amend the Events of Default set out in Condition 9;
  - (xii) amend the law governing the Notes, the arbitration procedures to which the Issuer has agreed to follow in the Notes, the courts to the jurisdiction of which the Issuer may be required to submit in the Notes, the Issuer’s obligation to maintain an agent for service of process in England or the Issuer’s waiver of immunity in respect of actions or proceedings brought by any Noteholder set out in Condition 16;
  - (xiii) modify the provisions contained in the Agency Agreement concerning the quorum required at any meeting of the Noteholders or any adjournment thereof or concerning the majority required to pass an Extraordinary Resolution or the percentage of votes required for the taking of any action;
  - (xiv) change the definition of “Extraordinary Resolution” or “outstanding” in the Conditions and/or Agency Agreement;
  - (xv) instruct any Noteholder or committee appointed on behalf of all Noteholders pursuant to Condition 10(e) to withdraw, settle or compromise any proceeding or claim being asserted pursuant to Condition 9;
  - (xvi) confer upon any committee appointed pursuant to Condition 10(e) any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution; or
  - (xvii) amend this definition.
- (d) **Manifest Error, etc:** The Notes and these Conditions may be amended by the Issuer without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature,

it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

(e) **Noteholders' Representative Committee:**

(i) **Appointment:** The Noteholders may, by a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Agency Agreement by a majority of at least 50 per cent. in aggregate principal amount of the Notes then outstanding, or by notice in writing to the Fiscal Agent signed by or on behalf of the holders of at least 50 per cent. in aggregate principal amount of the Notes then outstanding, appoint any persons as a committee to represent the interests of the Noteholders if any of the following events shall have occurred:

(A) an Event of Default;

(B) any event or circumstance which would, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default; or

(C) any public announcement by the Issuer to the effect that the Issuer is seeking or intends to seek a restructuring of the Notes (whether by amendment, exchange offer (other than a tender, exchange or similar offer made by the Issuer at any time when all amounts payable in respect of the Notes have been paid in a timely manner) or otherwise).

(ii) **Powers:** Such committee in its discretion may, among other things, (i) engage legal advisers and financial advisers to assist it in representing the interests of the Noteholders, (ii) adopt such rules as it considers appropriate regarding its proceedings and (iii) enter into discussions with the Issuer and/or other creditors of the Issuer. The Issuer shall pay any reasonably incurred fees and expenses of any such committee (including, without limitation, the fees and expenses of the committee's legal advisers and financial advisers, if any) within 30 days of the delivery to the Issuer of a reasonably detailed invoice and supporting documentation.

(f) **Outstanding Notes:** for the purposes of (i) ascertaining the right to attend and vote at any meeting of Noteholders and (ii) Condition 6, Condition 9 and Schedule 3 (Provisions for Meetings of Noteholders) to the Agency Agreement, those Notes (if any) which are for the time being held by any person (including but not limited to the Issuer) for the benefit of the Issuer or by any public body owned or controlled, directly or indirectly, by the Issuer shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

*These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.*

(g) **Modification of Agency Agreement:** The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

## 11 Replacement of Notes, Receipts, Coupons and Talons

If a Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) or such other Paying Agent, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Receipts, Coupons or further Coupons)

and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **12 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such notes to “Issue Date” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “Notes” shall be construed accordingly.

## **13 Notices**

Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Dubai and London (which is expected to be the Financial Times). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

## **14 Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer’s other obligations and shall give rise to a separate and independent cause of action.

## **15 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes 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.

## **16 Governing Law, Dispute Resolution and Waiver**

- (a) **Governing law:** The Agency Agreement, the Deed of Covenant, the Notes, the Coupons and the Receipts and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes (including the remaining provisions of this Condition 16), the Coupons and the Receipts, are and shall be governed by, and construed in accordance with, English law.
- (b) **Agreement to arbitrate:** Subject to Condition 16(c), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a “Dispute”) shall be referred to and finally resolved by arbitration under the LCIA Arbitration

Rules (the “Rules”), which Rules (as amended from time to time) are incorporated by reference into this Condition. For these purposes:

- (i) the place of arbitration shall be Paris;
  - (ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions;
  - (iii) any requirement in the Rules to take account of the nationality of a person considered for appointment as an arbitrator shall be disapplied and a person may be nominated or appointed as an arbitrator (including as chairman) regardless of nationality; and
  - (iv) the language of the arbitration shall be English.
- (c) Option to litigate: Notwithstanding Condition 16(b) above, any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:
- (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
  - (ii) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 16(d) and, subject as provided below, any arbitration commenced under Condition 16(b) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

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

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
  - (ii) his entitlement to be paid his proper fees and disbursements; and
  - (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
- (d) **Effect of exercise of option to litigate:** In the event that a notice pursuant to Condition 16(c) is issued, the following provisions shall apply:
- (i) subject to paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
  - (ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
  - (iii) this Condition 16(d) is for the benefit of the Noteholders only. As a result, and notwithstanding paragraph (i) above, any Noteholder may take proceedings relating to a Dispute (“Proceedings”) in any other courts with jurisdiction. To the extent allowed by law, the Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) **Appointment of Process Agent:** The Issuer has appointed Taylor Wessing Process Service Limited at its registered office at 5 New Street Square, London EC4A 3TW as its agent for service of process, and undertakes that, in the event of Taylor Wessing Process Service 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.

- (f) **Waiver of immunity:** To the extent that the Issuer may in any jurisdiction claim for itself or its revenues, assets or properties invested in financial, commercial or industrial activities or deposited in banks (“Sovereign Assets”) immunities from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or legal process, in all cases related to these Conditions, and to the extent that in any such jurisdiction there may be attributed to itself or its Sovereign Assets such immunity (whether or not claimed), the Issuer hereby irrevocably agrees for the benefit of the Noteholders not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction. In addition, to the extent that the Issuer or any of its Sovereign Assets shall be entitled in any jurisdiction to any immunity from set-off or any similar right or remedy, and to the extent that there shall be attributed, in any jurisdiction, such an immunity, the Issuer hereby irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction with respect to any claim, suit, action, proceeding, right or remedy arising out of or in connection with the Notes, the Coupons and the Receipts.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **1 Initial Issue of Notes**

Global Notes may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

Upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “Common Depository”) Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### **2 Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (“Alternative Clearing System”) as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note, and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

### **3 Exchange**

#### **3.1 Temporary Global Notes**

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole or in part upon certification as to non-U.S. beneficial ownership in the form required from time to time by Euroclear, Clearstream, Luxembourg and/or such Alternative Clearing System (as the case may be) for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

#### **3.2 Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes if: (i) the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only.

#### **3.3 Partial Exchange of Permanent Global Notes**

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (a) if principal in respect of any Notes is not paid when due or (b) if

so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

### **3.4 Delivery of Notes**

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. In this Base Prospectus, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### **3.5 Exchange Date**

“Exchange Date” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

## **4 Amendment to Conditions**

The temporary Global Notes and permanent Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

### **4.1 Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form required from time to time by Euroclear, Clearstream, Luxembourg and/or such Alternative Clearing System (as the case may be). All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 6(c)(v) and Condition 7(d) will apply to the Definitive Notes only.

## **4.2 Prescription**

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

## **4.3 Meetings**

For the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

## **4.4 Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

## **4.5 Purchase**

Notes represented by a permanent Global Note may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

## **4.6 Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be).

## **4.7 Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

## **4.8 Events of Default**

Subject to Condition 9, the holder of a Global Note may exercise the right to declare Notes represented by such Global Note due and payable under Condition 9 by stating in the notice to the Fiscal Agent the nominal amount of Notes (which may be less than the outstanding nominal amount thereof) to which such notice relates.

In the event that a Global Note (or any part of it) has become due and repayable in accordance with the Conditions or that the Maturity Date has occurred and, in either case, payment in full of the amount due has not been made to the bearer in accordance with the provisions set out above then that

Global Note will become void at 8.00 p.m. (London time) on the day immediately following such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear, Clearstream, Luxembourg and/or any Alternative Clearing System (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 10 June 2011 and executed by the Issuer.

#### **4.9 Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions (provided, however, that the Issuer complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are then listed or admitted to trading, as the case may be) or by delivery of the relevant notice to the holder of the Global Note.

#### **5 Partly Paid Notes**

The provisions relating to Partly Paid Notes are not set out in this Base Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

## **USE OF PROCEEDS**

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for infrastructure, financing and general budgetary purposes. If, in respect of any particular issue which constitutes derivative securities for the purposes of Article 15 of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

## OVERVIEW OF THE EMIRATE OF DUBAI

### Introduction

Dubai is one of seven emirates which together comprise the UAE. The federation was established on 2 December 1971. On formation, the federation comprised the following emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwain and Fujairah. Ras Al Khaimah joined in February 1972. The President of the UAE is Sheikh Khalifa bin Zayed Al Nahyan who is also the Ruler of Abu Dhabi. The Ruler of Dubai is Sheikh Mohammad bin Rashid Al Maktoum who is also the Vice President and Prime Minister of the UAE.

### Location and Geography



Dubai is the second largest emirate in the UAE after Abu Dhabi, and is situated on the west coast of the UAE in the south-western part of the Arabian Gulf. It covers an area of 3,885 square kilometres (“km<sup>2</sup>”) and lies at a longitude of approximately 55 degrees east and a latitude of 25 degrees north. Except for a tiny enclave in the Hajar Mountains at Hatta, the emirate comprises one contiguous block of territory.

The UAE as a whole extends along the west coast of the Arabian Gulf, from the base of the Qatar peninsula to Ras Al Khaimah in the North and across the Mussandum peninsula to the Gulf of Oman in the East, covering an area of 83,699 km<sup>2</sup> in total.

The climate is very dry, with minimal rainfall during winter months. During those months, the temperature averages 26° celsius, although in summer the temperature can reach the high forties celsius with 90 per cent. humidity, particularly on the coast.

### History

Dubai started as a pearl diving and fishing village in the first half of the eighteenth century. The growth of the emirate began in the early part of the nineteenth century when members of the Bani Yas tribe, led by Sheikh Maktoum Bin Butti, left Abu Dhabi and migrated north to found an independent sheikhdom in the area now known as Dubai.

In the nineteenth century, Dubai, split by a 14 kilometre (“km”) long creek that leads into a natural harbour, established itself as a centre for the import and re-export of merchandise and this trade activity, along with the pearling industry, were the most important pillars of Dubai’s economic activity during the nineteenth century.

In the early part of the twentieth century, to counter the loss of economic activity from the decline in the pearling industry following the First World War, Dubai sought to attract traders through its liberal business policies and low taxes, enabling the emirate to establish itself as a centre for trade in gold bullion, textiles and consumer durables.

In the 1930s and 1940s, oil was discovered in Kuwait, Qatar and Saudi Arabia, adding to that already found in Iran, Iraq and Bahrain. In 1958, oil was found off the shore of Abu Dhabi and, in 1966, oil was first discovered by the Dubai Petroleum Company at Fateh, which lies 92 km off the coast of Dubai. Over the years, oil revenues have been used to create and develop the economic and social infrastructure of the emirate. In addition, as a regional trading hub, Dubai was well-placed to capitalise on the increase in Middle East business activity that came with oil exports.

The British remained in the area until their withdrawal in 1971. Steps were then taken by the rulers of the seven emirates, under the guidance of Abu Dhabi’s then Ruler, Sheikh Zayed bin Sultan Al Nahyan, to bring the individual sheikhdoms together into a single federation. This resulted in the formation by six of the seven emirates of the UAE in December 1971, with Ras Al Khaimah joining in February 1972.

In May 1976, the seven emirates agreed to merge their armed forces. In 1979, the then Ruler of Dubai, Sheikh Rashid bin Saeed Al Maktoum, became Prime Minister of the federal government. Sheikh Zayed bin Sultan Al Nahyan served as President of the UAE from 1971 until his death in November 2004, when he was succeeded by his son, Sheikh Khalifa bin Zayed Al Nahyan, as Ruler of Abu Dhabi and President of the UAE. The current Ruler of Dubai and Prime Minister of the UAE is Sheikh Mohammed bin Rashid Al Maktoum.

**Population**

The population of the UAE, based on a census carried out in 2005 and according to the UAE National Bureau of Statistics (the “NBS”), was approximately 4.1 million, of whom approximately 1.3 million resided in Dubai. The NBS has estimated the population of the UAE to be 8.3 million in 2010. The Dubai Statistics Centre has estimated the population of Dubai to be 1.93 million at 31 March 2011.

The populations of both the UAE and Dubai have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the emirates have developed. The table below illustrates this growth using official census data since 1975 for the UAE:

**Population of UAE:**

	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1995</u>	<u>2005</u>
Total population.....	557,887	1,042,099	1,379,303	2,411,041	4,106,427
Dubai population .....	183,187	276,301	370,788	689,420	1,321,453

Sources: Official UAE Census Data

**Population of Dubai:**

The table below sets out the estimated population of Dubai at the end of each of the periods indicated:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total population.....	1,421,812	1,529,792	1,645,973	1,770,978	1,905,476

Source: Dubai Statistics Centre

The majority of the population of Dubai is estimated to be non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. Approximately 78 per cent. of the population is estimated to be male and 22 per cent. female, reflecting the large male expatriate workforce.

As at 31 December 2010, it was estimated that approximately 64 per cent. of the population of Dubai was between 20 and 39 years of age, with the largest single group, constituting 19.6 per cent. of the population of Dubai, being between 30 and 34 years of age. Education and training are an important strategic focus for Dubai. The literacy rate in Dubai for persons at or above the age of 15 was estimated at 96.9 per cent. in 2009 (Source: Dubai Statistics Centre).

## **Governance, Legislation and Judiciary**

### ***UAE Constitution***

The original constitution of the UAE (the “Constitution”) was initially provisional and provided the legal framework for the federation. The Constitution was made permanent pursuant to a constitutional amendment in May 1996.

The major principle adopted by the Constitution was that jurisdiction for enacting substantive legislation was confined to the federal government, but the local governments of the seven emirates were authorised to regulate those matters that were not the subject of legislation by the federal government.

Pursuant to Articles 120 and 121 of the Constitution, the federal government is responsible for foreign affairs; security and defence; nationality and immigration; education; public health; the currency; postal, telephone and other communications services; air traffic control and the licensing of aircraft and a number of other matters including labour relations; banking; the delimitation of territorial waters; and the extradition of criminals. Federal matters are regulated through a number of specially created federal ministries which include the Ministries of Foreign Affairs, Defence, Justice, Finance and Economy. Although most of the federal government ministries are based in Abu Dhabi, many also maintain offices in Dubai. The UAE’s monetary and exchange rate policy is managed on a federal basis by the UAE Central Bank. See “*Monetary and Financial System*”.

Article 122 of the Constitution states that the emirates shall have jurisdiction in all matters not assigned to the exclusive jurisdiction of the federation, in accordance with the provision of the preceding two Articles.

The individual emirates are given flexibility in the governance and management of their own emirates. The Constitution permits individual emirates to elect to maintain their own competencies in certain sectors. Based on this flexibility, Dubai has elected to assume responsibility for its own education, public health and judicial systems. The natural resources and wealth in each emirate are considered to be the public property of that emirate. See “*Emirate of Dubai*”.

### ***Federal Supreme Council***

The UAE is governed by the Supreme Council. This is the highest federal governing body and consists of the Rulers of the seven emirates. The Supreme Council elects from its own membership the President and the Vice President of the UAE (for renewable five-year terms). Decisions relating to substantive matters are decided by a majority vote of five emirates, provided that the votes of both Dubai and Abu Dhabi are included in that majority, but matters that are purely procedural are decided by a simple majority vote.

The Supreme Council is vested with legislative as well as executive powers. It ratifies federal laws and decrees, plans general policy and approves the nomination of the Prime Minister and accepts his resignation. It also relieves him from his post upon the recommendation of the President.

The then Ruler of Abu Dhabi, Sheikh Zayed bin Sultan Al Nahyan, was elected in 1971 as the first President of the UAE and was re-elected as President for successive five-year terms until his death in November 2004. The then Ruler of Dubai, Sheikh Rashid bin Saeed Al Maktoum, was elected in 1971 as the first Vice-President of the UAE and continued as Vice-President until his death in 1990. Sheikh Zayed bin Sultan Al Nahyan was succeeded by his son Sheikh Khalifa bin Zayed Al Nahyan as Ruler of Abu Dhabi who was

elected as President of the UAE in November 2004 by the members of the Supreme Council. Sheikh Mohammed bin Rashid Al Maktoum became the Ruler of Dubai in January 2006 upon the death of his elder brother Sheikh Maktoum bin Rashid Al Maktoum who had ruled Dubai since 1990. He was also nominated by the President of the UAE, Sheikh Khalifa bin Zayed Al Nahayan, to be the next Prime Minister and Vice President of the UAE in January 2006. The members of the Supreme Council accepted the President's nomination shortly thereafter.

### ***Federal Council of Ministers***

The Federal Council of Ministers (the "Cabinet") is described in the Constitution as the executive authority for the federation and is responsible for implementing policy decisions of the Supreme Council. The Cabinet is the principal executive body of the federation. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget.

Based in Abu Dhabi, the Cabinet is headed by the Prime Minister and consists of the Deputy Prime Minister and a number of other Ministers. These Ministers are normally selected (for no fixed term) by the approval of the Supreme Council on the recommendation of the Prime Minister.

### ***Federal National Council***

The Federal National Council is a parliamentary body which comprises 40 members who are UAE nationals. Each emirate appoints members for a particular number of seats based on such emirate's population and size. Abu Dhabi and Dubai have eight members each, Sharjah and Ras Al Khaimah have six members each and the other emirates have four members each. The nomination of representative members is left to the discretion of each emirate, and the members' legislative term is four calendar years. The members represent the UAE as a whole rather than their individual emirates.

Presided over by a speaker, or either of two deputy speakers elected from amongst its members, the Federal National Council has both a legislative and supervisory role under the Constitution. This means that it is responsible for examining and, if required, amending, all proposed federal legislation, and is empowered to summon and to question any federal minister regarding ministry performance. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself.

During 2006, reforms were made with a view to enhancing public participation in indirect elections to the Federal National Council. Under these reforms, the Ruler of each emirate selects an electoral college whose members are at least 100 times the number of Federal National Council members for the emirate. The members of each electoral college elect half of the Federal National Council members for their emirate, with the remainder being appointed by the Ruler. In March 2011, the National Election Commission announced that elections for the Federal National Council would be held on 24 September 2011. In May 2011, the National Election Commission issued an executive booklet containing guidelines for the elections including the methods of selection of representatives to the Federal National Council, the role of the National Election Commission and its sub-committees and general rules on the elections, nominations, campaign, filing of appeals and timeline for the electoral process.

### ***Legal and Court System***

There are three primary sources of law in the UAE, namely (i) federal laws and decrees (applicable in all seven emirates), (ii) local laws and decrees (i.e. laws and regulations enacted by the emirates individually), and (iii) the Shari'ah (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 Ruler or local government of each emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed

by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter-emirate disputes and disputes between the federal government and the emirates.

In accordance with the Constitution, three of the seven emirates (Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective emirates.

The judicial system in Dubai comprises (i) a Court of First Instance, (ii) a Court of Appeal and (iii) a Court of Cassation.

### ***Emirate of Dubai***

The relationship between the federal government and the local governments of the emirates is laid down in the Constitution and allows for a degree of flexibility in the distribution of authority. The Constitution states that each emirate shall exercise all powers not assigned to the federation. Each emirate has its own local government, consisting of departments or authorities, so that each emirate retains significant political and financial autonomy.

Dubai enjoys good relations with each of the other emirates in the UAE. Each emirate manages its own budget on an independent basis and no emirate has any obligation to contribute to the budget of any other emirate. Each emirate makes contributions to the federal budget in agreed amounts.

The laws of Dubai are passed by Decree of the Ruler, Sheikh Mohammed bin Rashid Al Maktoum, who is also the Vice-President and Prime Minister of UAE. The Crown Prince of Dubai is Sheikh Hamdan bin Mohammed Al Maktoum. The Deputy Rulers are Sheikh Hamdan bin Rashid Al Maktoum and Sheikh Maktoum bin Mohammed Al Maktoum.

The key entities in the structure of the Government of Dubai are (i) the Ruler's Court, (ii) the Supreme Fiscal Committee (the "SFC") and (iii) the Executive Council. The Dubai Department of Economic Development (the "DED") and the Dubai Department of Finance (the "DOF") are administrative bodies. All five of these entities have distinct roles:

*The Ruler's Court:* Except in relation to applicable federal laws, His Highness the Ruler of Dubai is the sole legislator for the emirate and all Dubai laws are passed by His Highness after drafts of the laws have been approved by the Ruler's Court in consultation with the Executive Council. All other matters that require the involvement of His Highness the Ruler of Dubai are channelled through the Ruler's Court.

*SFC:* The SFC was established by Decree No. 24 of 2007 in November 2007 to formulate the financial policies of the emirate of Dubai, establish and approve priorities, financing methods and completion dates for major Government of Dubai projects, determine the public debt and expenditure limits and to issue recommendations in relation to key economic issues to the Ruler of Dubai. The SFC also aims to improve co-ordination between various Government of Dubai entities and to enable these entities to meet their respective development targets in a cost-efficient manner.

*Executive Council:* The Executive Council seeks to ensure coordination amongst Government of Dubai departments such as the courts, the police, the Health Authority, the Department of Land and Properties, the Department of Civil Aviation, the DED and the Department of Tourism and Commerce Marketing. The Executive Council works with these departments to implement an overall strategy for the Government of Dubai, while considering the requirements and strategies of each particular department. In addition, the Executive Council works with the DOF to prepare an overall budget to fund the requirements of the various government departments. In addition to this broad coordination role, the Executive Council also recommends new laws and regulations, and is involved in the implementation of laws promulgated at both the emirate and federal levels.

*DED:* The DED is a regulatory and administrative body responsible for licensing and regulation of the business sector. All businesses operating in Dubai are required to be registered with and licenced by the DED. The DED also helps formulate the Government of Dubai's policy in relation to economic planning and

the promotion of Dubai as a business centre. The DED works closely with relevant government bodies such as the Ministry of Labour and the Real Estate Regulatory Authority (“RERA”).

*DOF:* The DOF is the local ministry of finance and treasury for the Government of Dubai. All revenues of the Government of Dubai are collected within the DOF and all Government of Dubai authorities are funded through the DOF. In addition, the DOF also functions as an administrative office of the SFC for executing and monitoring compliance with the SFC’s decisions.

In addition to the above, the Investment Corporation of Dubai (“ICD”) is the principal investment entity of the Government of Dubai. ICD was formed in 2006 as a holding company for a series of investments that had previously been held directly by the DOF. See “*Public Finance – Principal Investments*”. ICD’s role is to supervise the Government of Dubai’s investment portfolio, adding value through the implementation of best-practice corporate governance. After initial capitalisation by the Government of Dubai, ICD is now self-funding and makes a contribution to the budget of the Government of Dubai. See “*Public Finance – Dubai Government Budget*”.

## **Strategy of Dubai**

Since the establishment of the UAE in 1971, Dubai has developed its status as a major city, enhancing the well-being of its people and creating an environment that attracts businesses and individuals. To support, maintain and develop this status, the Government of Dubai intends to focus on (i) achieving comprehensive development and building human resources, (ii) promoting economic development and government modernisation, (iii) sustaining growth and prosperity, (iv) protecting UAE nationals’ interests, the public interest and well-being, and (v) providing an environment conducive for growth and prosperity in all sectors.

### ***Dubai Strategic Plan 2015***

In 2007, the Government of Dubai adopted a set of guiding principles for the various sectors that comprise the Dubai Strategic Plan 2015 (the “DSP 2015”). The aim of the DSP 2015 is to ensure an understanding of the Government of Dubai’s vision among all government entities and a common framework for the operations of these entities. The DSP 2015 focuses on the core areas of economic development; social development; security, justice and safety; infrastructure, land and development; and government excellence.

The global economic crisis has significantly impacted the Government of Dubai’s economic development plans and, as a result, the government is currently re-assessing the stated aims of the DSP 2015 in the area of economic development. The stated aims of the DSP 2015 in all other areas remain unchanged.

### ***Economic Development***

The DSP 2015 sets out certain economic growth and productivity goals although, as indicated above, these are being re-assessed in light of the global economic crisis.

The DSP 2015 envisaged that future economic growth would be focussed on the following six sectors: travel and tourism; financial services; professional services; transport and logistics; trade and storage; and construction. These sectors were identified based on their then current status, international competitiveness, Dubai’s capacity to develop them and the availability of necessary enabling factors. The re-assessment of DSP 2015 currently underway focuses on sectors where Dubai has traditionally been strong, i.e. the wholesale and retail sector (international and domestic trade), transport and storage, and the tourism and manufacturing sectors. In addition, the DSP 2015 identified seven enabling factors that also needed to be developed in parallel, namely human capital; productivity; science, technology and innovation; the cost of living and doing business; quality of life; economic policy and institutional framework; and laws and regulations.

The specific strategic approaches designed to achieve the DSP 2015’s economic development goals are briefly described below:

- *Sector focus and development:* moving Dubai to a new growth path, coupled with future diversification, while maintaining the focus on high-value added sectors that can boost overall economic growth;

- *Productivity growth*: transforming Dubai into a hub of business excellence by raising the productivity of economic sectors and maintaining high production quality standards;
- *Human capital excellence*: preparing Dubai's workforce for the high-value, knowledge-driven economy, which requires attracting and retaining skilled employees, improving UAE nationals' qualifications and increasing their motivation;
- *Science, technology and innovation*: turning Dubai into a science and technology hub in targeted sectors, by supporting the development of existing sectors, and establishing the right environment for nurturing the post-2015 economy;
- *Cost of living and doing business*: ensuring and maintaining Dubai's competitiveness by managing the emirate's cost of living;
- *Quality of life improvement*: establishing Dubai as a preferred home for current and future residents by improving the well-being of citizens and residents and helping them live healthier lives enriched with opportunity and choice; and
- *Economic policy and institutional framework*: striving for excellence in economic policy-making and deployment through coordination with the federal government, the provision of adequate data, and strengthening the institutional framework and capabilities.

### *Social Development*

The DSP 2015 acknowledges that, for economic success to be sustainable, it is important that social development sector infrastructure be developed. To ensure that the social development sector is properly equipped to deliver the services required, the DSP 2015 set a number of development aims and strategies for achieving those aims. In particular, the aims and strategies focus on:

- preserving national identity and improving community cohesion through, among other measures, amending immigration rules to ensure and maintain a demographic balance and raising levels of cultural awareness and Arabic language proficiency;
- increasing UAE nationals' participation in the workforce and society by equipping them with the necessary life skills for living in a rapidly changing environment and supporting them to become preferred employees in strategic sectors;
- improving the achievement of students and ensuring that all UAE nationals have access to quality education through a range of measures targeted at improving educational facilities, governance, the quality of teaching staff, the curriculum and access to education;
- improving the quality of healthcare services and the health of the population through a range of measures targeted at, among other things, improving the quality and availability of healthcare facilities, governance and the introduction of health insurance;
- ensuring that quality social services are provided to meet the needs of the population by, among other measures, improving the availability of and access to appropriate services and mobilising voluntary social work and civil organisations;
- ensuring equality and acceptable working conditions for the workforce through co-ordination with the federal authorities to improve and update labour regulations, increasing the awareness of both employers and employees in relation to their respective rights and providing an environment which attracts and retains the necessary expertise; and
- enriching the cultural environment through the development of infrastructure, the identification of talent and the promotion of cultural events.

### *Infrastructure, Land and Environment*

The strategic vision for this sector is to integrate infrastructure development and environmental focus in order to achieve sustainable development. Within this context, the Government of Dubai aims to provide a sustainable, effective and balanced infrastructure including all elements such as energy, electricity, water, roads, transportation and waste management while protecting the environment. In particular:

- urban planning will focus on optimising land use and distribution to balance economic, infrastructure and social development needs while preserving natural resources;
- the provision of efficient energy, electricity and water supplies to meet the emirate's growing needs;
- the provision of an integrated roads and transportation system to facilitate mobility and improve safety; and
- maintaining the emirate as a clean, attractive and sustainable environment.

### *Security, Justice and Safety*

The aims in this sector are to provide the infrastructure necessary to ensure human rights and public safety in light of the socio-economic environment and the global challenges faced by Dubai. In particular, there will be a focus on preserving security and order through improvements in the police force and border controls whilst ensuring the integrity and transparency of the security services and the protection of human rights. Crisis management and disaster contingency plans are to be developed to ensure the provision of necessary equipment and infrastructure in the event of a crisis.

In the justice area, access to, and the administration of, justice is to be improved through a range of measures aimed at improving case management, the quality of the judiciary and the elimination of existing economic, geographic, legal and protective barriers that impede access to justice.

In terms of safety, relevant safety regulations are to be improved and safety awareness raised and legislation relating to public health is to be updated and developed.

### *Government Excellence*

Although the Government of Dubai has made progress in enhancing public sector performance in recent years, including through modernising operations, introducing e-government initiatives and promoting the use of advanced technologies, the emirate's leadership remains committed to further enhancing the Government of Dubai's ability to continuously provide world-class services. The DSP 2015 envisages that the Government of Dubai will focus on five long-term strategic aims:

- strengthening its strategic and forward-looking focus through implementing an integrated strategy across all government entities, developing mechanisms for risk identification and management and for the evaluation of policies after they have been implemented;
- enhancing the Government of Dubai's organisational structures and accountability including through the introduction of key performance indicators;
- increasing efficiency through improved financial management techniques such as results-based budgeting, linking budgets to government priorities, ensuring that all departments move from cash-based to accruals-based financial systems and updating accounting policies and the consolidation of accounts as well as outsourcing to the private sector where appropriate;
- enhancing responsiveness and customer service through technology improvements and the introduction of complaints and customer care programmes; and
- empowering and motivating public service employees through training, performance management and other tools.

In line with its strategic development plans, the Government of Dubai implemented a number of reforms in 2007, including a public sector reorganisation to establish a more systematic form of government; to standardise legislation and governance across government institutions and agencies; and to clearly define the role of the various government entities. These changes, made as part of the Institutional Restructuring programme, were designed to bring about more transparent, efficient and accountable institutions. The Government of Dubai also enacted a number of structural reforms to enhance public sector efficiency and the institutional framework in relation to the budget and debt management process, including the establishment of a new budget framework for performance management and enhanced budgeting and cash management capabilities.

### **International Relations**

Pursuant to Articles 120 and 121 of the UAE Constitution, foreign policy and international relations are a federal matter and, accordingly, Dubai does not enter into bilateral agreements with foreign governments.

The foreign policy of the UAE is based upon a set of guiding principles, laid down by the country's first President, Sheikh Zayed bin Sultan Al Nahyan. He derived these principles from his belief in the need for justice in international dealings between states, including the necessity of adhering to the principle of non-interference in the internal affairs of others and the pursuit, wherever possible, of peaceful resolution of disputes, together with support for international institutions, such as the United Nations (the "UN").

Within the Arabian Gulf region, and in the broader Arab world, the UAE has sought to enhance cooperation and to resolve disagreement through the pursuit of dialogue. Thus, one of the central features of the UAE's foreign policy has been the development of closer ties with its neighbours in the Arabian Gulf region. The Gulf Cooperation Council ("GCC"), which comprises the UAE, Kuwait, Saudi Arabia, Bahrain, Qatar and Oman, was founded at a summit conference held in Abu Dhabi in May 1981.

At the broader level of the Arab world as a whole, the UAE is committed to rebuilding a sense of common purpose among both its people and its governments and, to this end, has supported the strengthening of common institutions, such as the League of Arab States. Beyond the Arab world, the UAE has pursued a policy of seeking, wherever possible, to build friendly relations with other nations, both in the developing and in the industrialised world. The UAE also maintains cordial relations with other regional states and has established good relations with the United States of America and the European Union as well as with developing nations in Africa and many of the countries of the former Soviet Union. In 2010, the UAE entered into a nuclear cooperation agreement with the United States that provides the foundation for the UAE's civilian nuclear energy programme and provides a legal framework for commerce in civilian nuclear energy between the two countries.

Since its establishment, the UAE has played an active role in the provision of financial aid to developing countries and has been a contributor of emergency relief to countries and areas affected by conflict and natural disasters. The philosophy behind the aid policy is two-fold: first, the provision of help for the needy is a duty incumbent on all Muslims and, second, the country's policy on utilisation of the revenues from its oil and gas production has always included a component that they should be devoted, in part, to helping other countries which have fewer natural resources.

The UAE is an active participant in a number of multi-lateral developmental institutions, including the International Bank for Reconstruction and Development (the "World Bank"), the International Monetary Fund (the "IMF"), the International Development Agency and regional bodies like the OPEC Fund for International Development, the Arab Gulf Fund for the UN, the Arab Bank for Economic Development in Africa, the Abu Dhabi-based Arab Monetary Fund and the Islamic Development Bank. In addition, the UAE is a member of various international organisations including, among others, the GCC, the UN, the League of Arab States, the Organisation of Islamic Countries, the Organisation of Arab Petroleum Exporting Countries, the Organisation of the Petroleum Exporting Countries ("OPEC"), the World Health Organisation, the International Organisation for Industrial Development, the World Trade Organisation and the Asia-Pacific Economic Co-operation.

The UAE has an ongoing dispute with Iran and is in continuing discussions with Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by

Iran. The UAE believes that these islands should be returned to the emirate of Sharjah, which claims sovereignty over them, and is seeking to resolve the dispute through bilateral negotiations or a reference to international arbitration.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with Saudi Arabia on the border between the two countries, which the UAE believes should be substantially amended. In addition, the UAE is involved in discussions with the governments of Saudi Arabia and Qatar over a maritime corridor which Qatar has purported to grant to Saudi Arabia, from within Qatar's own maritime waters, but which crosses part of the route of the gas pipeline between Qatar and the UAE.

## ECONOMY OF DUBAI

### Introduction

Dubai has a diversified economy which has demonstrated renewed growth, with real GDP increasing by approximately 2.4 per cent. in 2010 after the effects of the global economic recession led to a decline in real GDP in 2009. Since the UAE was established, when approximately 50 per cent. of Dubai's GDP was oil-related, the emirate's reliance on oil has decreased significantly, with the oil sector accounting for 1.8 per cent. of GDP in 2010.

Reflecting the emirate's strategic geographic location, rising levels of international trade and the Government of Dubai's long-standing strategy of positioning the emirate as a trading centre, the wholesale and retail trade and repairing services sector is the principal contributor to GDP, accounting for 30.3 per cent. of Dubai's GDP in 2010. The wholesale and retail trade and repairing services sector grew by 4.5 per cent. in real terms in 2010 and accounted for approximately 1.3 per cent. of Dubai's real GDP growth in 2010.

Other significant growth sectors for the emirate in recent years have been manufacturing; transport, storage and communications; and electricity and water. The manufacturing sector grew by 10.1 per cent. in real terms in 2010 as a result of the increased ability of the sector to export in 2010 compared to 2009 as its principal trading partners began to recover from the global financial crisis. The transport, storage and communications sector grew by 9.2 per cent. in real terms in 2010 as a result of improved foreign trade and port related activities, in addition to increased demand for shipping and related services. The electricity and water sector grew by 7.1 per cent. in real terms in 2010 as a result of increased generation and consumption of electricity and water. In addition, each of these sectors has benefitted from the Government of Dubai's policies aimed at improving the business and investment environment and positioning Dubai as a regional hub, including specific high profile developments initiated by the Government of Dubai and the establishment of a range of specialised free zones designed to attract new companies and investment.

In addition, other supply side factors supporting the emirate's longer-term economic growth have included the availability of labour and land for real estate development, significant levels of liquidity prior to late 2008 and increasing consumer wealth in the GCC and elsewhere, in part reflecting generally high oil and gas prices, an appropriate legal and regulatory framework and good infrastructure.

As discussed above under "*Overview of the Emirate of Dubai – Strategy of Dubai*", the Government of Dubai continues to focus on economic diversification and in this respect is targeting the travel and tourism; financial services; professional services; transport and logistics; trade and storage and construction sectors in particular as areas for future growth.

Since the middle of 2008 and reflecting the global financial crisis and sharp falls in international oil and gas prices, there have been significant declines in real estate sales prices and rental rates in the UAE as a whole and a significant slowdown in construction activity. These factors adversely impacted the emirate's GDP in 2009 and 2010, with these sectors declining in real terms in 2009 by 19.8 per cent. and 19.5 per cent., respectively, and by 2.6 per cent. and 14.7 per cent., respectively, in 2010.

### Gross Domestic Product

The table below shows Dubai's and the UAE's nominal GDP and nominal GDP growth rates for each of the years indicated.

	2007	2008	2009	2010
UAE Nominal GDP ( <i>AED millions</i> ) .....	948,056	1,156,267	992,805	1,093,114
UAE Nominal GDP Growth Rates ( <i>per cent.</i> ).....	16.2	22.0	(14.1)	10.1
Dubai Nominal GDP ( <i>AED millions</i> ) .....	310,056	342,900	294,157	300,833 <sup>(1)</sup>
Dubai Nominal GDP Growth Rates ( <i>per cent.</i> ) .....	28.6	10.6	(14.2)	2.3

Source: Dubai Statistics Centre, NBS

Note:

(1) Does not include Non-Profit Organization sector:

The table below shows Dubai's and the UAE's real GDP and real GDP growth rates for each of the years indicated.

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
UAE Real GDP ( <i>AED millions</i> ) .....	948,056	979,291	963,530	977,329
UAE Real GDP Growth Rates ( <i>per cent.</i> ) .....	3.2	3.3	(1.6)	1.4
Dubai Real GDP ( <i>AED millions</i> ) .....	284,577	293,752	286,617	293,601 <sup>(1)</sup>
Dubai Real GDP Growth Rates ( <i>per cent.</i> ).....	18.1	3.2	(2.4)	2.4

Source: Dubai Statistics Centre, NBS

Note:

(1) Does not include non-profit organisations sector.

The real GDP of Dubai in 2010 equalled 30.0 per cent. of the real GDP of the UAE in the same year. In 2009 and 2008, the equivalent proportions were 29.7 per cent. and 30.0 per cent., respectively.

The NBS has estimated on a preliminary basis that real GDP in the UAE for 2010 was AED 977.3 billion, representing a real GDP growth rate of 1.4 per cent., reflecting the general economic recovery in the wake of the global economic crisis and the increase in oil prices during 2010. In 2009, the NBS estimated that real GDP in the UAE was AED 963.5 billion, representing a real GDP growth rate of minus 1.6 per cent.

Dubai's real GDP increased by 18.1 per cent. in 2007 and by 3.2 per cent. in 2008, decreased by 2.4 per cent. in 2009 and increased by 2.4 per cent. in 2010, reaching AED 293.6 billion in 2010. Dubai's real GDP per capita in 2010 was approximately U.S.\$41,956, based on an assumed population of 1,905,476 million and an exchange rate of U.S.\$1.00 = AED 3.6725.

Within Dubai, no single economic sector contributed more than 31 per cent. to total GDP in 2010, with the largest sector being the wholesale and retail trade and repairing services sector which contributed 30.3 per cent. of the emirate's GDP. Other significant contributors to GDP in 2010 include the transport, storage and communications sector, which contributed AED 41.5 billion, or 14.1 per cent., to GDP, the real estate and business services sector, which contributed AED 40.3 billion, or 13.7 per cent., to GDP, and the manufacturing sector, which contributed AED 38.7 billion, or 13.2 per cent., to GDP. Two other sectors, construction and financial corporations, each contributed between 9 and 11 per cent. to GDP in 2010. Together, these six sectors contributed 92.0 per cent. of total GDP in 2010. By contrast, the government sector contributed 5.5 per cent. and the mining, quarrying and oil and gas sector contributed 1.8 per cent. to GDP in 2010.

In terms of growth, the four strongest principal sectors in recent years have been the government services sector, with a compound annual GDP growth rate of 21.8 per cent. between 2007 and 2010, the electricity and water sector, with a compound annual GDP growth rate of 15.6 per cent. between 2007 and 2010, the manufacturing sector, with a compound annual GDP growth rate of 8.8 per cent. between 2007 and 2010, and the social and personal services sector, with a compound annual GDP growth rate of 7.9 per cent. between 2007 and 2010.

The following table sets out Dubai's real GDP by economic activity and by percentage contribution, as well as the year-on-year growth rate, for each year indicated:

	2007			2008		
	Amount	Contribution (per cent.)	Growth (per cent.)	Amount	Contribution (per cent.)	Growth (per cent.)
<i>(in millions of AED, except percentages)</i>						
Wholesale, Retail Trade & Repairing Services .....	84,820	29.8	8.9	85,932	29.3	1.3
Transport, Storage & Communications .....	35,752	12.6	33.1	35,423	12.1	(0.9)
Real Estate & Business Services .....	51,008	17.9	30.9	51,563	17.6	1.1
Manufacturing .....	30,075	10.6	5.8	33,127	11.3	10.1
Financial Corporations .....	30,125	10.6	29.4	32,375	11.0	7.5
Construction .....	33,862	11.9	23.1	40,017	13.7	18.2
Government Services .....	8,912	3.1	22.0	10,165	3.5	14.1
Restaurants & Hotels .....	9,590	3.4	4.5	9,650	3.3	0.6
Social & Personal Services .....	4,690	1.6	43.3	5,214	1.8	11.2
Mining, Quarrying, Oil & Gas .....	5,425	1.9	(24.0)	5,423	1.8	0.0
Electricity & Water .....	2,771	1.0	14.0	3,783	1.3	36.5
Domestic Services of						
Households .....	1,086	0.4	3.1	1,063	0.4	(2.1)
Non-Profit Organisations .....	813	0.3	56.8	765	0.3	(5.8)
Agriculture, Livestock & Fishing .....	394	0.1	3.1	418	0.1	6.1
Less: Imputed Bank Services	(14,747)	(5.2)	(60.1)	(21,166)	(7.2)	43.5
<b>Total Real GDP .....</b>	<b>284,577</b>	<b>100.0</b>	<b>18.1</b>	<b>293,752</b>	<b>100.0</b>	<b>3.2</b>
<b>2009</b>						
	Amount	Contribution (per cent.)	Growth (per cent.)	Amount	Contribution (per cent.)	Growth (per cent.)
<i>(in millions of AED, except percentages)</i>						
Wholesale, Retail Trade & Repairing Services .....	85,158	29.7	(0.9)	89,002	30.3	4.5
Transport, Storage & Communications .....	38,044	13.3	7.4	41,542	14.1	9.2
Real Estate & Business Services .....	41,373	14.4	(19.8)	40,286	13.7	(2.6)
Manufacturing .....	35,181	12.3	6.2	38,719	13.2	10.1
Financial Corporations .....	33,540	11.7	3.6	33,115	11.3	(1.3)
Construction .....	32,214	11.2	(19.5)	27,494	9.4	(14.7)
Government Services .....	15,198	5.3	49.5	16,085	5.5	5.8
Restaurants & Hotels .....	10,094	3.5	4.6	10,729	3.7	6.3
Social & Personal Services .....	5,845	2.0	12.1	5,894	2.0	0.8
Mining, Quarrying, Oil & Gas .....	5,374	1.9	(0.9)	5,159	1.8	(4.0)
Electricity & Water .....	4,000	1.4	5.7	4,283	1.5	7.1
Domestic Services of						
Households .....	1,199	0.4	12.8	1,137	0.4	(5.2)
Non-Profit Organisations .....	893	0.3	16.7	-	-	-
Agriculture, Livestock & Fishing .....	431	0.2	3.1	434	0.1	0.7
Less: Imputed Bank Services	(21,928)	(7.7)	3.6	(20,276)	(6.9)	(7.5)
<b>Total Real GDP .....</b>	<b>286,617</b>	<b>100.0</b>	<b>(2.4)</b>	<b>293,601</b>	<b>100.0</b>	<b>2.4</b>

Source: Dubai Statistics Centre

Note:

(1) Does not include non-profit organisations sector.

An overview of each of the sectors contributing more than 5 per cent. to Dubai's real GDP in 2010 is set out below.

### ***Wholesale and Retail Trade and Repairing Services***

The wholesale and retail trade and repairing services sector accounted for AED 89.0 billion, or 30.3 per cent., of Dubai's GDP in 2010, making it the largest contributing sector to the emirate's economy. In real terms, this sector experienced a decline of 0.9 per cent. in 2009 and growth of 4.5 per cent. in 2010. The wholesale and retail trade and repairing services sector's growth in 2010 was largely as a result of increased economic activity and imports, as this sector depends largely on imports.

The table below shows the contribution to Dubai's real GDP of the wholesale and retail trade and repairing services sector for each year between 2007 and 2010.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(in millions of AED)</i>			
Wholesale and Retail Trade and Repairing Services Real GDP .....	84,820	85,932	85,158	89,002
Percentage of Total Real GDP .....	29.8	29.3	29.7	30.3

Source: Dubai Statistics Centre

For the purposes of calculating GDP, wholesale trade is defined as an intermediate process in the distribution of merchandise, whereas retail trade is defined as the final process in the distribution of merchandise. Repairing services comprise the maintenance and repair of goods associated with wholesale and retail trade.

The principal products traded in the emirate by wholesalers and retailers include all types of textiles, clothing and footwear; household appliances and furniture; motor vehicles (including parts and accessories); other machinery, equipment and supplies; and construction material.

In addition, Dubai's extensive shopping malls and major shopping events, such as the Dubai Shopping Festival and the Dubai Summer Surprises, are key drivers for the growth of Dubai's trading sector.

### ***Transport, Storage and Communications***

The transport, storage and communications sector accounted for AED 41.5 billion, or 14.1 per cent., of GDP in 2010. This sector demonstrated growth of 33.1 per cent., a fall of 0.9 per cent., and growth of 7.4 per cent. and 9.2 per cent. in real terms in 2007, 2008, 2009 and 2010, respectively. Growth in the transport, storage and communications sector has resulted from growth in foreign trade levels and an increase in activity at domestic ports and airports, which increased demand for freight and transportation services. In addition, the opening of the Dubai Metro in 2009 and its subsequent expansion has contributed to this growth.

The table below shows the contribution to Dubai's real GDP of the transport, storage and communications sector for each year between 2007 and 2010.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(in millions of AED)</i>			
Transport, Storage and Communications Real GDP ..	35,752	35,423	38,044	41,542
Percentage of Total Real GDP .....	12.6	12.1	13.3	14.1

Source: Dubai Statistics Centre

See "*Infrastructure*" for a description of Dubai's air, land and sea transport and the UAE's telecommunications infrastructure.

### ***Real Estate, Business Services and Construction***

The real estate and business services sector accounted for AED 40.3 billion, or 13.7 per cent., of GDP in 2010. This sector demonstrated declines of 19.8% and 2.6% per cent. in 2009 and 2010, respectively, having grown by 30.9 per cent. and 1.1 per cent. in 2007 and 2008, respectively.

The construction sector accounted for AED 27.5 billion and 9.4 per cent. of GDP in 2010. This sector demonstrated declines of 19.5 per cent and 14.7 per cent. in 2009 and 2010, respectively, having grown by 23.1 per cent. and 18.2 per cent. in 2007 and 2008, respectively.

The table below shows the contributions to Dubai's real GDP of the real estate and business services and construction sectors for each year between 2007 and 2010.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(in millions of AED)</i>			
Real Estate and Business				
Services Real GDP .....	51,008	51,563	41,373	40,286
Percentage of Total Real GDP .....	17.9	17.6	14.4	13.7
Construction Real GDP .....	33,862	40,017	32,214	27,494
Percentage of Total Real GDP .....	11.9	13.7	11.2	9.4

Source: Dubai Statistics Centre

### ***Real Estate and Construction***

No official breakdown of the real estate and construction sectors by type of property is currently available.

The real estate market in Dubai has been adversely affected by the global economic crisis. Following significant price declines since the fourth quarter of 2008 (in part reflecting the withdrawal of speculative buyers from the market), prices have since stabilised in completed developments. The current market situation has led to the re-evaluation of a number of real estate projects and delays in many projects. Since the price corrections, demand has principally originated from end-users. RERA is working with and helping various stakeholders including developers, contractors and investors to resolve outstanding disputes related to properties in Dubai.

Since the middle of 2008, a number of real estate projects in Dubai have been cancelled or delayed, principally reflecting liquidity shortages for developers, decreasing headline real estate prices and rental rates and increasing market uncertainty and negative sentiment and these factors adversely affected real GDP growth rates in the real estate and construction sectors in 2008, 2009 and 2010. According to RERA, of the total number of registered projects at 31 May 2011, 129 projects have been completed since the beginning of 2009. In the last two years, RERA has additionally completed a review of more than 450 projects and, of these reviewed projects, 237 are expected to be completed in due course. 217 registered projects have been cancelled by RERA as at 31 May 2011.

The Government of Dubai has taken steps to stabilise the real estate sector. In April 2009, a new law was introduced which provides that, in the event that a real estate development project is cancelled, the developer is required to refund the entire purchase price paid by purchasers until the date of cancellation. The law also provides remedies for real estate developers in the event of a default by a purchaser. The remedies are dependent on the percentage of completion of the relevant project. A subsequent resolution by the Executive Council clarified the law and, amongst other things, provides that Dubai's Department of Land and Properties has the authority to mediate disputes between developers and purchasers. In addition to the April 2009 law described above, on 25 March 2010 Nakheel PJSC announced a recapitalisation plan pursuant to which the Government of Dubai, acting through the DFSF, committed to provide, subject to the approval of a restructuring plan, U.S.\$8 billion of additional funds to Nakheel to fund operations and settle outstanding liabilities, including payments to Nakheel's contractors and suppliers (see "*Dubai World Restructuring*"). The Government of Dubai also launched a new initiative in 2010 to certify projects called '*tayseer*'. A total of 114 projects have been selected as at 31 May 2011. Under this programme, projects are scrutinised, approved and certified by the Department of Land and Properties based on due diligence criteria. These

criteria require that projects have adequate infrastructure planned or in place, the escrow trust account is properly managed and financial reporting is full and timely. The technical report must show that a minimum of 60 per cent. of construction is completed and that a minimum of 60 per cent. of the project is sold. The aim of this programme is to offer clear transparency among banks, developers, end-users and contractors. It also achieves the objective of RERA to manage supply and the overall quality of Dubai's property stock and urban planned space through infrastructure development.

According to RERA, there were 455 registered developers in Dubai and 893 registered brokers in Dubai as at 31 May 2011. The principal developers in Dubai are all owned (wholly or partially) by the Government of Dubai and/or the ruling family of Dubai. These include Emaar Properties PJSC, which is 29.4 per cent. owned by ICD; Nakheel PJSC, which is 97.5 per cent. owned by Dubai World Corporation which is in turn 100 per cent. owned by the Government of Dubai; Dubai Properties LLC, which is 97.5 per cent. owned by the Ruler of Dubai; and Union Properties PJSC and Deyaar Development PJSC, in each of which ICD has a significant shareholding.

The table below shows the number of real estate sale transactions in Dubai and the total value of such transactions in each of 2007, 2008, 2009 and 2010.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Real Estate Sale Transactions .....	6,952	21,978	30,962	26,335
Total Value of Real Estate Sale Transactions (in millions of AED) .....	115,855	260,733	152,927	119,477

Source: Dubai Statistics Centre

For 2010, Dubai's Department of Land and Properties reported 26,335 sale transactions, compared to 30,962 sale transactions in 2009, a decrease of approximately 14.9 per cent. The Department of Land and Properties also reported a slight decrease in the number of mortgage related transactions, with 9,548 mortgage-related transactions taking place in 2010 as compared to 9,859 such transactions in 2009.

### *Business Services*

Business Services comprise a wide variety of services that are delivered principally to other businesses. These services include marketing, professional services, leasing services, technology-related services, personnel services, and research and development services.

The DED is responsible for the issuance of new licences to individuals and corporate entities who wish to perform services or conduct a business in Dubai. The licences issued by the DED are classifiable as commercial, professional or industrial enterprises, depending upon the activity sought to be carried out. The table below sets out the new licences (not including renewals of existing licences) granted by the DED for the various categories over the past four years:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Commercial licences .....	11,344	12,206	8,827	10,749
Professional licences .....	2,408	2,425	2,562	3,176
Industrial licences .....	239	203	137	176

Sources: Dubai Statistics Centre

### *Manufacturing*

The manufacturing sector accounted for AED 38.7 billion, or 13.2 per cent., of GDP in 2010. This sector demonstrated growth of 5.8 per cent., 10.1 per cent., 6.2 per cent. and 10.1 per cent in real terms in 2007, 2008, 2009 and 2010, respectively. The manufacturing sector grew largely as a result of increased demand for exports from Dubai as its principal trading partners began to recover from the global financial crisis.

The table below shows the contribution to Dubai's real GDP of the manufacturing sector for each year between 2007 and 2010.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(in millions of AED)</i>			
Manufacturing Real GDP .....	30,075	33,127	35,181	38,719
Percentage of Total Real GDP .....	10.6	11.3	12.3	13.2

Sources: Dubai Statistics Centre

According to the Dubai Chamber of Commerce and Industry (the "Dubai Chamber"), Dubai's manufacturing sector is dominated by medium-sized firms typically employing between 10 and 99 employees. Many of these firms are congregated in purpose-built locations and/or within free zones, including those discussed under "*Foreign Direct Investment and Free Zones*". Other specialised zones include the Dubai Biotechnology and Research Park, which targets the life sciences industry and which, by February 2011, had approximately 70 registered companies operating across the bio-technology sector, and the Dubai Techno Park, which is a Government of Dubai technology initiative.

In addition, to help expand the manufacturing sector in Dubai, the Government of Dubai established the Dubai Investments Park in 1998, a 3,180-hectare business complex located close to the Jebel Ali port that consists of mixed-use industrial, business, residential and recreational developments. This park is managed by Dubai Investments PJSC, a public company in which the Government of Dubai has a shareholding.

Major industrial companies operating in Dubai include Dubai Aerospace Enterprise ("DAE"), which is engaged in aerospace research and development; manufacturing; maintenance, repair and overhaul; aircraft leasing; and other aerospace services, and Dubai Aluminium Company Limited ("DUBAL"), which is a major producer of high quality primary aluminium and also owns 50 per cent. of Emirates Aluminium Company Limited PJSC ("EMAL") which is operating an aluminium smelter with associated power generation facilities at Taweelah in the Khalifa Port and Industrial Zone in Abu Dhabi (the "EMAL Project"). The EMAL Project began producing aluminium in December 2009, and its first phase involved the construction of an aluminium smelter with a production capacity of approximately 750,000 tonnes of aluminium per year, which was completed in April 2011. See "*Public Finance – Major ICD Investments*".

### ***Financial Corporations***

The financial corporations sector accounted for AED 33.1 billion, or 11.3 per cent., of GDP in 2010. This sector demonstrated growth of 29.4 per cent., 7.5 per cent., 3.6 per cent. in real terms in 2007, 2008 and 2009 and declined by 1.3 per cent. in real terms in 2010.

The table below shows the contribution to Dubai's real GDP of the financial corporations sector for each year between 2007 and 2010.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(in millions of AED)</i>			
Financial Corporations Real GDP.....	30,125	32,375	33,540	33,115
Percentage of Total Real GDP .....	10.6	11.0	11.7	11.3

Sources: Dubai Statistics Centre

Dubai is an important financial centre in the Arabian Gulf region. According to the UAE Central Bank, of the 754 national bank branches (inclusive of head offices) in the UAE at 31 December 2010, 294 (or 40 per cent.) were located in Dubai with 188 located in Abu Dhabi, 109 located in Sharjah and fewer than 100 branches in each of the other emirates. Of the 111 foreign bank branches (inclusive of head offices) in the UAE at 31 December 2010, 47 (or 42 per cent.) were located in Dubai. Additionally, of the 102 representative offices of foreign banks in the UAE, 64 were located in Dubai. See "*Monetary and Financial System – Banking and Financial Services – Principal Banks in Dubai*" for a further discussion of Dubai's banking sector.

Dubai also accounted for more than 50 per cent. of the distribution of licensed moneychangers' head offices and branches as at 31 December 2010 with 343 out of the total 676.

In addition, the Dubai International Financial Centre has attracted a number of financial services providers to Dubai, including investment banks, insurers and private equity firms, see “*Foreign Direct Investment and Free Zones – Dubai International Financial Centre*”.

### **Government Services**

The government services sector accounted for AED 16.1 billion, or 5.5 per cent., of GDP in 2010. This sector demonstrated growth of 22.0 per cent., 14.1 per cent., 49.5 per cent. and 5.8 per cent. in real terms in 2007, 2008, 2009 and 2010, respectively.

The table below shows the contribution to Dubai's real GDP of the government services sector for each year between 2007 and 2010.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(in millions of AED)</i>			
Government Services Real GDP.....	8,912	10,165	15,198	16,085
Percentage of Total Real GDP .....	3.1	3.5	5.3	5.5

Sources: Dubai Statistics Centre

The government services sector comprises the various departments of the Government of Dubai. The growth in the government services sector from 2007 through 2010 is due to both an increase in the number of government employees and an increase in development expenditure incurred by the Government of Dubai in accordance with the Dubai Strategic Plan 2015. In addition, the Government of Dubai took certain fiscal measures in 2009 (including a 14 per cent. increase in current expenditure compared to 2008 for completion of projects and maintaining a high level of development expenditure in 2009) to counter recessionary conditions in that year. The statistics related to the government services sector do not include GREs (see “*Public Finance*”).

### **Inflation**

#### **UAE**

The UAE inflation rate was 11.1 per cent. in 2007, 12.3 per cent. in 2008, 1.6 per cent. in 2009 and 1.7 per cent. in 2010. The increases in UAE inflation in 2007 and 2008 reflect housing shortages, high commodity prices and strong domestic demand. The currency peg also contributed to inflation in 2007 and 2008 through US dollar depreciation and the importation of expansionary monetary policy from the United States. Declining food and commodity prices since the second half of 2008 have eased inflation, however, along with declining rents and real estate prices in the UAE since the end of 2008 onwards.

The table below sets out the consumer price index (“CPI”) and the percentage change, year on year, of consumer prices in the UAE for each of the years indicated.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
CPI Index*.....	147.8	112.3	114.0	116.4
CPI Inflation .....	11.1	12.3	1.6	1.7

Source: NBS

Note:

\* For 2007, base year 2000=100; for 2008 through 2010, base year 2007=100.

## Dubai

The calculation of a separate CPI for Dubai started in 2007. The Dubai inflation rate was 10.8 per cent. in 2008, 4.1 per cent. in 2009 and 0.6 per cent. in 2010. This drop in the Dubai inflation rate is principally attributable to a decline in rental rates in the real estate sector and a decline in communication costs.

The Dubai CPI includes 12 expenditure groups. The three groups with the largest weighting in the Dubai CPI are (i) housing, water, electricity, gas and fuel; (ii) food and non-alcoholic beverages; and (iii) transportation, which showed inflation levels of minus 1.3 per cent., 1.9 per cent. and 6.6 per cent. respectively in 2010.

The housing, water, electricity, gas and fuel group constitutes 43.7 per cent. of the Dubai CPI. Housing rent constitutes 87.7 per cent. of this group and 38.3 per cent. of the total Dubai CPI.

The food and non-alcoholic beverages group has an 11.1 per cent. weighting in the Dubai CPI. This group consists of basic foods items such as meat, breads and cereals, milk products, fish and seafood along with non-alcoholic beverages such as tea, coffee, juices and mineral water.

Transportation constitutes 9.1 per cent. of the Dubai CPI. Fuel and oil constitute 49 per cent. of this group and 4.5 per cent. of the total Dubai CPI. In April 2010, the UAE government raised the regulated price of petrol by approximately 15 fils per litre and, in July 2010, further raised the price by approximately 20 fils per litre, representing a cumulative increase of approximately 22.3 per cent. The other significant contributors in this group are repair and maintenance of modes of transportation.

The table below sets out details of the Dubai CPI in 2010 and the rate of inflation in Dubai for 2008 to 2010.

<u>Expenditure Groups</u>	<u>Weight</u>	<u>CPI 2010</u>	<u>Inflation (per cent.) 2008</u>	<u>Inflation (per cent.) 2009</u>	<u>Inflation (per cent.) 2010</u>
		<i>2007=100</i>			
General Index Number .....	100.0	115.9	10.8	4.0	0.6
Housing, Water, Electricity, Gas, and Fuel .....	43.7	106.8	5.6	2.4	(1.3)
Food and Non-Alcoholic Beverages .....	11.1	126.0	21.1	2.2	1.9
Transportation .....	9.1	121.3	9.0	4.4	6.6
Miscellaneous Goods and Services .....	6.2	126.1	19.2	3.7	2.1
Communications .....	6.0	90.8	1.7	(0.2)	(10.6)
Clothing and Footwear .....	5.5	131.9	19.5	9.9	0.4
Restaurants and Hotels .....	5.5	136.7	25.5	7.4	1.4
Leisure and Culture .....	4.2	106.0	2.9	2.6	0.5
Education .....	4.1	153.2	18.5	18.6	9.0
Furniture and Furnishings, Household Items and Repairing.....	3.3	118.9	13.8	3.3	1.1
Healthcare .....	1.1	116.2	6.7	5.3	3.4
Alcoholic Beverages and Tobacco.....	0.2	111.9	5.7	5.6	0.3

Source: Dubai Statistics Centre

## Employment and Wages

Based on the 2005 UAE census, the labour force in Dubai in 2005 was approximately 1,155,972 of which 982,296 were employed and a further 156,354 were either students or engaged in housework. The low rates of unemployment in Dubai and the UAE generally reflect the fact that, typically, authorised residence for employable non-UAE persons is linked to their employment in the UAE.

One of the key challenges for the emirate is the creation of jobs for nationals, supported by initiatives to educate and motivate young emiratis to join the workforce and, in particular, the private sector. The Government of Dubai is supporting the private sector by initiating educational and training programmes as

well as schemes to identify deficiencies among public sector workers with a view to providing appropriate retraining. Specifically, in the education arena, the Government of Dubai is outsourcing the management of schools to private operators and initiating partnerships with internationally respected universities with a view to increasing the quality of education offered. The DSP 2015 focuses on social development as a core strategic area for the emirate, see “*Overview of the Emirate of Dubai – Strategy of Dubai*”.

The table below shows employment in the public and private sectors in Dubai in 2005:

<b>Economic Sectors</b>	<b>2005</b>
Federal Government.....	16,871
Local Government .....	65,349
Public Sector .....	12,099
Private Sector .....	809,908
Others .....	65,950
Foreign .....	12,119
<b>Total.....</b>	<b>982,296</b>

Source: Dubai Statistics Centre

Based on data collected by the Dubai Statistics Centre for 2009, the number of people employed in Dubai was 1,352,248. According to the Dubai Statistics Centre, unemployment in Dubai is low with an unemployment rate of 0.8 per cent. in 2009. No Dubai employment data subsequent to 2009 is currently available.

Unemployment benefits are payable to nationals only and the responsibility for the payment lies with the federal government.

**Infrastructure**

**Roads and Highways**

Dubai has an extensive network of roads connecting the emirate with Abu Dhabi in the south, with Hatta, Fujairah and Oman in the east and Sharjah, Umm Al Qaiwain and Ras Al Khaimah in the north. The construction and maintenance of roads and highways in Dubai is the responsibility of a separate Dubai agency known as the Roads and Transport Authority (the “RTA”).

The RTA has developed a comprehensive roadmap to integrate roads, highways, rail and marine transport within the emirate. The RTA’s strategic plan identifies a number of strategic goals to be achieved between 2009 and 2013, including the provision of a multi-modal integrated transport system, making the transport system more user friendly; improving the level of service to users; promoting sustainable modes of transport; and striving for safety and environmental sustainability.

Since 2005, the RTA has overseen the construction and commencement of commercial operations of the Dubai Metro (see “*Dubai Metro*”) and a number of other major bridge and road improvement projects.

Over the same period, the public transport network has been strengthened through the introduction of new buses, modernisation of the bus fleet, an increase in bus network coverage and services, the introduction of water bus and water taxi services and the provision of air-conditioned bus shelters across Dubai.

During 2010, approximately 110 million passengers travelled through the available 851 buses operated by the RTA. A common fare structure applies to the Dubai Metro and buses. The RTA has introduced an integrated card system, the Smart Card, that enables passengers to travel on trains, buses and water transport, as well as use associated parking areas. According to the RTA, the number of passengers using public transport has increased by 90 per cent. from 163 million in 2005 to 309 million in 2010.

A significant proportion of the Government of Dubai’s development expenditure (see “*Public Finance*”) in the period since 2007 has been spent on transport projects, including the Dubai Metro.

## *Dubai Metro*

The Dubai Metro, the total cost of which is estimated at AED 29.6 billion, was officially launched in September 2009 and now operates 27 stations on the Red Line. Since its launch, during 2009 and 2010 the Dubai Metro transported approximately 6.9 million and 38.9 million passengers, respectively. Based on data collected in January 2011 by the RTA, the Dubai Metro carries approximately 149,000 passengers a day on average. A second line, the Green Line, is due to be completed by the end of 2011. Upon its completion, the aggregate length of the Red and Green lines is expected to be over 70 kilometres with 47 planned stations. The Dubai Metro is expected to form the backbone of Dubai's public transport network. All main metro stations are intended to have adjacent bus stations as part of the integrated transport system which is expected to include buses and taxis as well as water transport links at stations near the Dubai Creek.

The RTA and the Dubai Rail Link Consortium (the "DURL Consortium"), the consortium of firms involved in the development of Dubai Metro, have been in negotiations with respect to certain outstanding obligations of the parties under the various contracts. Recently, the RTA has reached a global settlement with the DURL Consortium. Approximately AED 23.1 billion of the estimated AED 29.6 billion cost of the Dubai Metro has been paid. AED 682 million out of the remaining amount of approximately AED 6.5 billion is being paid by the RTA to the DURL Consortium in monthly instalments of approximately AED 169 million between June 2011 and September 2011. The balance of approximately AED 5.8 billion will be paid in equal monthly instalments over a period of seven years beginning October 2011. The Government of Dubai has provided a guarantee of the payment obligations of the RTA pursuant to the global settlement with the DURL Consortium.

## *Ports*

Dubai has two major ports, the Jebel Ali Port and Port Rashid.

Dubai's ports together comprise one of the world's 10 largest container ports according to the American Association of Port Authorities. The Jebel Ali Free Zone ("JAFZ") is situated next to the Jebel Ali Port. The Jebel Ali Port employs state-of-the-art equipment, including technology designed to speed the flow of goods through the port, and industry-leading quad-lift cranes, which can lift four twenty-foot equivalent units ("TEU") at one time.

Dubai's two ports processed approximately 11.6 million TEUs in 2010 and the Jebel Ali Port, which was expanded in 2009 to add additional capacity of 5 million TEUs per year, has an aggregate capacity of 14 million TEUs per year. Reduced demand for container trade as a result of adverse global economic conditions contributed to a 4.3 per cent. decline in TEUs processed by Dubai's ports in 2009, although there was an increase of 4.1 per cent. in 2010 as economic conditions improved.

The table below illustrates the shipping container volume handled at the Jebel Ali Port and Port Rashid in Dubai:

<b>Dubai Shipping Containers</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Inbound .....	2,111,527	2,417,836	2,022,085	2,175,963
Outbound.....	2,092,109	2,431,588	2,082,024	2,168,549
Trans-shipments .....	6,262,158	6,772,513	6,809,402	6,844,941
Restows .....	187,215	205,354	210,547	386,322
<b>Total .....</b>	<b>10,653,009</b>	<b>11,827,291</b>	<b>11,124,058</b>	<b>11,575,775</b>

Source: Dubai Ports Authority

## *Airports*

Dubai has two airports, the fully operational Dubai International Airport and the Al Maktoum International Airport which is still under construction.

Dubai International Airport was established in 1959 and is operated by the Government of Dubai-owned DAC. Dubai International Airport covers over 25 km<sup>2</sup> and was ranked 13th in terms of total passenger traffic

and 7th in terms of total cargo handled over the 12-month period ending February 2011, as determined by Airports Council International, an airports association which has 597 members operating over 1,679 airports in 177 countries and territories. The number of passengers registered at Dubai International Airport has increased at an average annual growth rate of 12.7 per cent. over the course of the 15 years to 2010. Dubai International Airport handled approximately 47.2 million passengers in 2010, which was an increase of 15.3 per cent. from 2009, while the total volume of cargo handled at the airport during 2010 was 2.27 million tonnes, an increase of 17.7 per cent. over 2009. During 2010, the Dubai International Airport handled an average of 823 aircraft and 129,262 passengers per day. The Dubai International Airport is used by over 122 airlines, connecting to over 200 destinations in the world and currently includes three terminals, two concourses, two runways and a number of support facilities. It has current annual passenger capacity of 51 million. A third concourse, which is currently under construction and is scheduled to be completed in 2013, will form part of Terminal 3 which was inaugurated in October 2008. Passenger numbers increased by 8.5 per cent. in the four months ended 30 April 2011 over the corresponding period in 2010, and cargo volumes were 686,679 tonnes in the four months to 30 April 2011, a contraction of 0.3 per cent. compared to 688,537 tonnes in the corresponding period in 2010.

The table below illustrates the aircraft movement and the passengers handled at the Dubai International Airport:

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Aircraft Movements (in thousands) .....	235	251	274	300
Passengers Handled (in millions) .....	34.35	37.44	40.92	47.18

Source: DOF

Phase 1 of the Al Maktoum International Airport was officially opened on 27 June 2010. The Al Maktoum International Airport is being constructed at Jebel Ali. Phase 1 includes a single 4,500 metre-long runway and terminal with 52 aircraft parking bays, a total annual passenger capacity of 7 million and an initial cargo capacity of 250,000 tonnes per year. The Al Maktoum International Airport is eventually planned to have six runways, four passenger terminals that will be able to accommodate up to 150 million passengers a year, and 18 cargo terminals with a capacity of 12 million tonnes. The Al Maktoum International Airport forms the foundation of the Government of Dubai's strategy to develop an integrated regional logistics hub, known as "Dubai World Central", and will be linked to Jebel Ali Port. The Government of Dubai has borrowed funds to part-finance the expansion and construction of the emirate's airports (see "*Indebtedness*").

The Dubai Civil Aviation Authority ("DCAA") is the regulatory body which sets out policies for civil aviation in the emirate of Dubai, while Dubai Airports Company ("DAC") manages the operation and development of both the Dubai International Airport and the Al Maktoum International Airport. The revenues of the DAC principally comprise fees collected by it, including fees for aircraft landings, parking fees, passenger service fees and aerobridge charges. During 2010, the income from these fees increased by approximately 17 per cent., while rental income collected in 2010 increased by approximately 7 per cent., in each case compared to 2009. The total revenue collected by DAC in 2010 was 10 per cent. greater than in 2009.

### ***Telecommunications***

The UAE has a well-developed, technologically-advanced telecommunications infrastructure and has high mobile telephone penetration. Since 1976, the majority federal government-owned telecoms corporation, Emirates Telecommunications Corporation ("Etisalat"), has operated, maintained and developed the national and international fixed-line network, mobile telephone, internet access and cable TV services.

In mid-2004, the federal government announced plans to end the monopoly of Etisalat. A regulator, the Telecommunications Regulatory Authority (the "TRA"), was formed to oversee the process and, in 2006, it granted a licence to Emirates Integrated Telecommunications Company ("EITC"), a new telecoms provider, operating under the brand name du. EITC is currently owned 40 per cent. by the federal government, 20 per cent. by Mubadala Development Company PJSC, 20 per cent. by Emirates Telecommunications and Technology Limited and 20 per cent. by the public.

According to the TRA, as at 28 February 2011 there were approximately 1.7 million fixed lines in operation in the UAE, with 11.2 million mobile subscribers and approximately 1.4 million internet subscribers (comprising 857,003 broadband subscribers and 564,598 dial-up subscribers). As of 28 February 2011, the fixed line penetration rate (being the number of lines expressed as a percentage of the estimated population) was 30.6 per cent., the mobile penetration rate (being the number of mobile subscribers expressed as a percentage of estimated population) was 199 per cent. and the internet penetration rate (being the number of subscribers expressed as a percentage of the estimated population, assuming 2.5 subscribers per internet subscription) was 63.5 per cent.

### *Energy*

Dubai Electricity and Water Authority (“DEWA”) was formed in 1992 following the merger of Dubai Electricity Company and Dubai Water Department. Since its inception, DEWA has been the monopoly supplier of electricity and water in Dubai. DEWA generates, transmits and distributes electricity and is connected to the Emirates National Grid. Although DEWA has separate corporate status it is wholly owned by, and the tariffs which it sets for electricity and water are regulated by, the Government of Dubai.

Dubai’s economic expansion and population growth in past years has caused the demand for electricity and water to increase rapidly. As a result, the peak load of electricity has increased from 3,288 megawatts (“MW”) in 2004 to 6,161 MW in 2010 and the peak load for water has increased from approximately 177 million imperial gallons daily (“MIGD”) in 2004 to 283 MIGD in 2010. Over the same period, DEWA has increased its installed electricity generation capacity from 3,833 MW in 2004 to 7,361 MW in 2010 and has increased its installed water desalination capacity from 187 MIGD in 2004 to 330 MIGD in 2010.

The table below describes the growth in demand and capacity for water and electricity in Dubai in each year between 2007 and 2010:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
		<i>(in MIGD)</i>		
Installed Desalinated Water Capacity .....	278	275	330	330
Peak Desalinated Water Demand .....	244	264	271	283
		<i>(in MW)</i>		
Installed Electricity Generation Capacity .....	3,833	3,833	6,997	7,361
Peak Electricity Demand.....	4,736	5,287	5,622	6,161

Source: DEWA

The table below describes the breakdown of DEWA’s electricity and water customer bases across various consumer sectors from 2007 to 2010:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Residential Electricity Customers .....	286,432	333,681	375,391	421,434
Commercial Electricity Customers .....	109,475	126,539	145,845	150,383
Industrial Electricity Customers .....	2,280	1,998	2,140	2,190
Other Electricity Customers .....	5,482	5,430	7,617	6,812
<b>Total Number of DEWA Electricity Customers .....</b>	<b>403,669</b>	<b>467,648</b>	<b>530,993</b>	<b>580,819</b>
Residential Water Customers .....	267,492	313,647	368,420	404,750
Commercial Water Customers.....	60,596	75,943	95,933	98,081
Industrial Water Customers .....	1,281	1,140	1,223	1,223
Other Water Customers .....	2,149	2,208	4,136	3,139
<b>Total number of DEWA water customers.....</b>	<b>331,518</b>	<b>392,938</b>	<b>469,712</b>	<b>507,193</b>

Source: DEWA

## ***Tourism***

Dubai has sought to position itself as an important business and leisure tourism hub within the Middle East region and has developed a significant tourism infrastructure to facilitate this strategy. According to the Dubai Department of Tourism and Commerce Marketing (the “DTCM”) there were 382 hotels and guest houses in Dubai at the end of 2010 with an occupancy rate in 2010 of 70 per cent. Dubai’s hotel establishments accommodated 6,561,999 guests in 2010, an increase of 7.5 per cent. from 6,105,813 visitors in 2009, while hotel occupancy remained flat at 70 per cent. across 2009 and 2010 despite a 17.7 per cent. increase in the number of hotel rooms in 2010. The DTCM also reported an increase in annual revenues for Dubai’s hotels in 2010, from AED 10.6 billion in 2009 to AED 11.3 billion in 2010.

According to the DTCM, Dubai’s principal tourist attractions include the Burj Khalifa (the world’s tallest building), Burj Al Arab (one of the world’s most luxurious hotels), Ski Dubai (an indoor ski slope), the Palm Islands (one of the world’s largest man-made islands) and the Dubai Mall (one of the world’s largest shopping malls). The Atlantis Hotel, opened in September 2008, has also become a popular tourist attraction in Dubai.

The Government of Dubai estimates that restaurants and hotels contributed approximately 3.7 per cent. to Dubai’s GDP in 2010.

The DTCM operates a network of 18 overseas representative offices, including three which were opened in China in 2008 with the aim of tapping the strong tourism growth potential in that country.

Dubai is also considered an important location for hosting international conferences, exhibitions and large cultural events. Reports by the Dubai International Trade Center show that 83 exhibitions were held in 2010 with 28,905 companies participating and visitors reaching 998,731. In addition, 2010 saw 291 conferences held with 130,086 attendees, further helping the tourism sector of Dubai’s economy.

## ***Foreign Direct Investment and Free Zones***

Dubai has a number of free zones which seek to attract foreign direct investment and which are described below. In addition, both local and foreign investors can establish a business presence in Dubai outside of the free zones. The DED issued 3,224 business licences in the first quarter of 2011, an increase of approximately 6 per cent. over the first quarter of 2010.

There are many incentives for foreign corporate entities to set up in one of the free zones in Dubai. Foreign corporate entities can freely operate in the free zones and free zone entities can be 100 per cent. foreign-owned, unlike entities registered elsewhere in the UAE which require various degrees of local participation. Free zone entities are exempt from paying corporate tax for 15 years, renewable for an additional 15 years, and individuals are exempt from paying income tax. There are no currency restrictions levied on the capital or the profits of free zone entities and 100 per cent. of their capital and/or profit can be repatriated. The ability to import into the free zones and to export abroad without any import duties, taxes or currency restrictions being levied on the free zone entity is a strong incentive for foreign corporate entities wishing to carry on such activities from and into the Middle East region to set up in one of the free zones.

The incentives to set up in a free zone include an easily available and relatively inexpensive workforce, no restrictions on the issuance of work permits and residence visas, availability of plots of land, prebuilt warehouses and offices on an annual lease basis, affordable workers’ accommodation and minimal legal and administrative procedures to commence operations.

Dubai has a number of free zones, of which the most important are the Jebel Ali Free Zone, the Dubai Technology and Media Free Zone, the Dubai International Financial Centre and the Dubai Airport Free Zone.

In addition, a number of sector-specific free zones for services and industry have been established, including Dubai Healthcare City, Dubai Textile City, Dubai Outsource Zone and Dubai Gold and Diamond Park.

The following is a brief overview of the four main free zones in Dubai:

### ***Jebel Ali Free Zone (“JAFZ”)***

JAFZ is the largest free zone in the UAE and a strategic entity for the emirate’s economy. JAFZ was established in 1985, is regulated by the Jebel Ali Free Zone Authority (“JAFZA”) and is operated by Jebel Ali Free Zone FZE. JAFZA and Jebel Ali Free Zone FZE are each 100 per cent. owned by the Government of Dubai through Dubai World.

JAFZ is a major trade and industrial area in Dubai, which is spread across 135 km<sup>2</sup> between the Jebel Ali Port and the new Al Maktoum International Airport (under construction) in Jebel Ali. JAFZ has more than 6,400 companies registered from over 120 countries, including a number of Fortune 500 companies and large multinationals.

Source: JAFZA

### ***Dubai Technology and Media Free Zone (“TECOM”)***

TECOM was established in 2000 and focuses on technology, e-commerce and media. TECOM’s main objective is to encourage the growth of a knowledge-based economy in Dubai by developing the information, technology and communications sector, the media sector and the educational sector. It has established three separate free zone clusters: Dubai Internet City (dedicated to the information, communications and technology sector), Dubai Media City (dedicated to the media industry) and Dubai Knowledge Village (dedicated to educational and training institutions).

#### ***Dubai Internet City***

The Dubai Internet City is a tax-free zone designed to appeal to information technology (“IT”) companies and IT professionals from around the world. Dubai Internet City is the first complete IT and telecommunications hub built within a free trade zone. Its clients include multinational companies such as Microsoft, Siemens, Oracle and IBM. Dubai Internet City provides these companies with a strategic base from which to carry out their operations in the Middle East and other emerging markets such as the Indian subcontinent, Africa and Central Asia.

#### ***Dubai Media City***

Dubai Media City is a community built specifically for the media industry. Its clients include leading companies in the international media business such as Associated Press, Bertelsmann, CNN, CNBC, International Advertising Association, McGraw-Hill Platts, Sony and Reuters as well as regional media companies such as the Middle East Broadcasting Corporation, Saudi Research and Publishing and Taj TV.

#### ***Dubai Knowledge Village***

Dubai Knowledge Village has attracted a range of educational and training institutions including prominent universities from the United Kingdom (such as Manchester Business School and Middlesex University) and Australia (such as the University of Wollongong and the SAE Institute). Dubai Knowledge Village offers advanced programmes in science, technology, business, management and media.

Source: TECOM

### ***Dubai International Financial Centre (“DIFC”)***

In 2002, the Government of Dubai issued a decree to establish DIFC and established an independent regulatory and supervisory authority for DIFC, the Dubai Financial Services Authority (“DFSA”). DIFC is an onshore financial centre, offering a convenient platform for leading financial institutions and service providers. DIFC has been established as part of the vision to position Dubai as an international hub for financial services and as the regional gateway for capital and investment.

The DFSA regulates all financial and ancillary services conducted in or from the DIFC as well as licensing, authorising and registering businesses to conduct those services. The DFSA’s regulatory framework was

developed by a team of experienced regulators and legal experts, drawn from internationally recognised regulatory bodies and major financial institutions around the world, and is based on the practices and laws of the world's leading financial jurisdictions. The DFSA is an Associate Member of the International Organisation of Securities Commissions (IOSCO). The vision of the DIFC is to act as a gateway for capital and investment into the Middle East and in doing so to act as a catalyst for regional economic growth, development and diversification.

The number of active registered companies operating from DIFC reached 792 companies at the end of December 2010 down from 859 companies at the end of December 2009. 113 new companies registered in 2010, of which 52 per cent. were from North America and Europe and 45 per cent. were from the Middle East and Asia. Registered companies in DIFC have increased by nearly 50 times from 2004 when there were 16 registered companies. The DFSA supervises and regulates a total of 319 entities including 250 authorised firms, 52 ancillary service providers, 15 registered auditors and two markets.

Source: DIFC

### ***Dubai Airport Free Zone (“DAFZ”)***

DAFZ was established in 1996 and is wholly owned by the Government of Dubai through ICD.

DAFZ is located within the boundaries of Dubai International Airport and provides an immediate bonded access for in-transit cargo movement. Businesses operating in DAFZ can use the logistics facilities available at the airport and transport goods through various cargo airlines operating from the airport. Companies located in DAFZ include Boeing, DHL, FedEx, Red Bull, Roche, Panasonic Avionics, Rolls Royce, Airbus, Bauer Equipment USA Inc., Audi, Volkswagen, Ferrari and Cartridge World.

In 2000, DAFZ had 20,000 square metres (“m<sup>2</sup>”) of rentable space allocated between offices and light industrial units. By 2010, DAFZ had 132,000 m<sup>2</sup> of office space, 70,000 m<sup>2</sup> of light industrial units and warehouses and 182,000 m<sup>2</sup> of land plots and a new addition of 36,000m<sup>2</sup> due to be completed in mid-2011 in its leasing inventory. DAFZ currently has over 1,450 tenants. European and GCC investors constitute more than 60 per cent. of the current tenants.

Source: DAFZA

## BALANCE OF PAYMENTS AND FOREIGN TRADE

As Dubai does not prepare separate balance of payments statistics, this section describes the UAE's balance of payments generally and the discussion of foreign trade summarises the foreign trade of both the UAE and Dubai.

The UAE has traditionally pursued a free trade policy for deeper integration into the global trading system. Despite the recent global financial crisis and the associated fall in global trade, the UAE continues to pursue a free trade policy by liberalising its trade regime through free trade agreements ("FTAs") with other countries and organisations (including FTAs with Singapore, the European Free Trade Area and New Zealand in 2009). Being a member of the GCC, the UAE's trade policy is closely linked to the trade policy of the other GCC member countries reflecting, among other things, the GCC Economic Agreement of 2002 which calls for a 'collective negotiation strategy' in the conduct of FTAs with major trading partners, and the establishment of the GCC Customs Union in 2003 which was aimed at enhancing economic unity among the member states and allowing the member states to engage in FTA negotiations as a unified trading block.

### Balance of Payments

#### Current Account

Since there are no separate figures for the current and capital accounts for Dubai, the table below shows the balance of payments for the UAE for each of the years indicated.

#### UAE Balance of Payments:

	2007	2008	2009	2010
	<i>(in millions of AED)</i>			
<b>Current Account Balance</b> .....	<b>72,132</b>	<b>81,818</b>	<b>28,824</b>	<b>41,265</b>
Trade Balance (FOB) .....	170,852	231,092	154,596	186,849
Total Exports of the Hydrocarbon Sector .....	271,128	374,915	249,273	275,700
Non-hydrocarbon Exports .....	125,768	157,814	161,479	187,335
Re-exports <sup>(1)</sup> .....	259,124	345,779	293,642	316,604
Total Exports and Re-exports (FOB) .....	656,020	878,508	704,394	779,639
Total Imports (FOB) .....	(485,169)	(647,417)	(549,798)	(592,790)
Services (net).....	(95,359)	(124,244)	(100,172)	(109,935)
Investment Income (net) .....	30,750	13,970	11,800	5,750
Transfers (net) .....	(34,111)	(39,000)	(37,400)	(41,400)
<b>Capital and Financial Account</b> .....	<b>105,424</b>	<b>(203,061)</b>	<b>(35,584)</b>	<b>7,457</b>
Capital Account <sup>(2)</sup>				
Financial Account .....	105,424	(203,061)	(35,584)	7,457
Net Errors and Omissions .....	5,683	(50,759)	(15,760)	(21,790)
<b>Overall Balance</b> .....	<b>183,238</b>	<b>(172,002)</b>	<b>(22,520)</b>	<b>(26,932)</b>

Source: UAE Central Bank

#### Notes:

- (1) Includes re-exports of non-monetary gold.  
 (2) Data not disclosed.

The UAE has a long history of positive trade balances reflecting both the importance of its hydrocarbon exports, which accounted for over 35 per cent. of total exports in each of 2007, 2008, 2009 and 2010, and its significant volumes of re-exports. The value of the UAE's hydrocarbon exports, the vast majority of which are made by Abu Dhabi, can be volatile as they depend on prevailing oil prices and agreed OPEC production quotas. Its imports increased in 2007 and 2008 reflecting economic expansion in the region (which also boosted re-exports in those years) and increased demand for goods to support infrastructural development in

the UAE before declining in 2009 as the effects of the global financial crisis were felt. The UAE's imports increased slightly in 2010 compared to 2009. The UAE's trade balance as a percentage of nominal GDP was 18.0 per cent. in 2007, 20.0 per cent. in 2008, 15.6 per cent. in 2009 and 17.1 per cent. in 2010 (based on preliminary estimates of nominal GDP).

Data on non-trade flows into and out of the UAE is not complete and is subject to revision, reflecting in part, weaknesses of the central statistical bodies and, in part, the operations of the large free zones. In general, however, the UAE tends to have a non-trade balance deficit reflecting services outflows underlining the UAE's dependence on foreign services for the development of its industrial and services sectors. In addition, there are significant levels of current transfers principally reflecting expatriate workers' remittances.

The UAE had a positive current account balance in each of 2007, 2008 and 2009 equal to 7.6 per cent., 7.1 per cent. and 2.9 per cent., respectively, of the UAE's nominal GDP in each of these years. In 2010, the UAE had a positive current account balance of 3.8 per cent. of the nominal GDP of the UAE (based on preliminary estimates of nominal GDP).

Adverse global economic conditions throughout 2009 coupled with significant falls in hydrocarbon prices in mid-2008 resulted in a significant fall in hydrocarbon exports in 2009 relative to 2008. This fall, coupled with reduced re-exports in 2009, was the principal cause of the lower trade balance in 2009 although the negative effects of those trends were partially mitigated by reduced imports in 2009 compared to 2008 as economic growth slowed. The overall account balance in 2009 was also impacted as a result of declining services receipts and lower investment income. In May 2011, the IMF issued its UAE 2011 Article IV Consultation, which highlighted that the UAE is benefitting from high oil prices, stronger growth in Asia, low global interest rates and strong demand from traditional trading partners, and that Dubai is benefitting from its leading position as a regional trading hub. The IMF also commented on the size of GRE debt and certain risks associated with that debt, see "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme – Contingent Liabilities*".

### ***Capital Account***

No data is released on the UAE's external debt position. See "*Indebtedness*" for a description of direct indebtedness incurred by the Government of Dubai. In general, the size of the UAE's trade and current account surpluses, coupled with the limited capacity of the local economy to absorb capital, ensure that net foreign capital flows have almost always been outward, entrenching the UAE's position as a net international creditor and foreign investor.

Most capital outflows have been directed towards the U.S. and European capital markets although more recently there has also been an increase in direct investment in Europe, Asia and the Middle East. This has included entities wholly or partially owned by the governments of certain emirates purchasing significant stakes in foreign companies as well as major federal firms such as Etisalat making significant acquisitions in order to boost their regional and international presence.

The net balance of the financial account was AED 105.4 billion in 2007. This was mainly due to an increase in private sector inflows which were AED 217.3 billion in 2007 (principally reflecting currency inflows connected with speculation that the UAE dirham – US dollar peg would be abandoned at the end of 2007 (see "*Monetary and Financial System – Monetary and Exchange Rate Policy*")) and a decrease in the public sector's outflows which were AED 111.9 billion in 2007.

In 2008, the net deficit of the financial account was AED 203.1 billion, principally reflecting the repatriation of money once it became clear that the exchange rate peg would be maintained coupled with the closure of international capital markets in the period following the bankruptcy of Lehman Brothers. In 2009, the net deficit in the financial account was reduced to AED 35.6 billion, and in 2010 a net surplus of AED 7.5 billion was achieved in the financial account reflecting an inflow of private sector non-bank capital and a reduction in the outflow of capital by public sector enterprises.

As a result of movements in the financial account, and after taking into account errors and omissions, the UAE's balance of payments showed a surplus of AED 183.2 billion in 2007, equal to 19.3 per cent. of the

UAE's nominal GDP in 2007. In 2008 and 2009, the balance of payments showed a deficit of AED 172.0 billion and AED 22.5 billion, equal to 14.9 per cent. and 2.3 per cent., respectively, of the UAE's nominal GDP in each of these years. In 2010, the balance of payments showed a deficit of AED 26.9 billion, equal to 2.5 per cent. of the UAE's nominal GDP in that year based on the NBS' preliminary estimate for nominal GDP for the UAE in 2010.

As at 31 December 2010, the UAE's official foreign asset holdings amounted to AED 116,701 million (source: UAE Central Bank). See "*Monetary and Financial System – Foreign Reserves*".

### ***UAE's Foreign Trade***

The section below summarises the UAE's foreign trade using information compiled by the NBS.

The total trade for the UAE increased to AED 754.4 billion in 2010 which reflects an increase of 14.2 per cent. from the previous year. The table below sets out the UAE's total foreign trade (imports, non-oil exports and re-exports) for the periods indicated:

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(in millions of AED)</i>			
Total Trade.....	552,958	788,923	660,366	754,355
Imports .....	388,357	565,720	447,394	485,414
Non-oil Exports .....	36,262	60,359	65,279	83,078
Re-exports .....	128,338	162,845	147,693	185,863

Source: NBS

### ***Dubai's Foreign Trade***

The section below discusses Dubai's foreign trade using information compiled by the Dubai customs authorities and the Dubai Statistics Centre. This information does not include trade with neighbouring emirates in the UAE.

The direct foreign trade for Dubai increased to AED 575.7 billion in 2010, an increase of 17.8 per cent. from the previous year. The table below sets out Dubai's total direct foreign trade (imports, exports and re-exports) for the periods indicated:

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>(in millions of AED)</i>			
Total Trade.....	425,441	612,744	488,498	575,656
Imports (CIF) .....	297,733	441,477	318,520	363,671
Exports (FOB).....	27,071	42,641	52,420	67,962
Re-exports (FOB) .....	100,637	128,626	117,559	144,023

Source: Dubai Statistics Centre

In 2010, the share of imports in total trade decreased from 65.2 per cent. in 2009 to 63.2 per cent. The share of exports and re-exports in total trade for 2010 was 11.8 per cent., and 25.0 per cent., respectively. The value of Dubai's imports grew by 35.4 per cent. in 2007, by 48.2 per cent. in 2008, fell by 27.9 per cent. in 2009 and grew by 14.2 per cent. reaching AED 363.7 billion in 2010 compared to AED 297.7 billion in 2007. The value of Dubai's exports grew by 48.3 per cent. in 2007, by 57.5 per cent. in 2008, by 22.9 per cent. in 2009 and by 29.6 per cent. reaching AED 68.0 billion in 2010 compared to AED 27.1 billion in 2007. The increase in exports was mainly due to the increase in exports from the manufacturing sector. The value of Dubai's re-exports grew by 28.5 per cent. in 2007, by 27.8 per cent. in 2008, fell by 8.6 per cent. in 2009 and grew by 22.5 per cent. reaching AED 144.0 billion in 2010 compared to AED 100.6 billion in 2007.

Dubai's principal merchandise imports in 2010 were semi-precious stones, precious stones and imitation jewellery (accounting for approximately 34.3 per cent. of total imports) and machinery, electrical and

electronic equipment (accounting for approximately 18.1 per cent. of total imports). These goods were primarily imported from major trading partner countries such as India, China, the USA, Germany and Japan. These countries together accounted for approximately 48.7 per cent. of the total imports into Dubai in 2010.

India continues to be the largest export and re-export market for goods from Dubai. India's share in Dubai's total exports increased by 28.4 per cent. in 2010, and its share of re-exports increased by 114.2 per cent. in 2010, in each case compared to the previous year. Switzerland was the second largest market for exports from Dubai and exports to Switzerland increased by 53.8 per cent. in 2010 compared to 2009.

The distribution of trade by region (see table below) shows that the share of the five highest regions (comprising South and West Asia, East and South East Asia, Western Europe, Arab (non-GCC) and North America) amounted to 85.5 per cent. of the total foreign trade with Dubai in 2010. According to information published by Dubai Statistics Centre, the South and West Asia region accounted for AED 199.8 billion of trade with Dubai in 2010 followed by East and South East Asia and the Western Europe region with AED 115.7 billion and AED 107.1 billion, respectively. These three regions together accounted for approximately 73.4 per cent. of Dubai's total foreign trade in 2010.

The table below sets out the distribution of Dubai's foreign trade for 2010:

<b>Region</b>	<b>Imports</b>	<b>Exports</b>	<b>Re-exports</b>	<b>Total Trade</b>	<b>Per cent.</b>
	<i>(U.S.\$ billions of AED)</i>				
South and West Asia .....	82.9	32.9	84.0	199.8	34.7
East and South East Asia .....	103.4	3.5	8.8	115.7	20.1
Western Europe .....	79.8	16.2	11.1	107.1	18.6
Arab (non-GCC) .....	18.4	5.5	14.6	38.5	6.7
North America .....	30.9	N/A	N/A	30.9	5.4
GCC .....	N/A	4.9	9.7	14.6	2.5
Other .....	48.2	5.0	15.7	68.9	12.0
<b>Total.....</b>	<b>363.6</b>	<b>68</b>	<b>143.9</b>	<b>575.5</b>	<b>100</b>

Source: Dubai Statistics Centre

## MONETARY AND FINANCIAL SYSTEM

As Dubai does not have a separate monetary or financial system, this section describes the UAE's monetary and financial system generally, although certain sections focus specifically on Dubai where information is available.

### Monetary and Exchange Rate Policy

The UAE's monetary and exchange rate policy is managed by the UAE Central Bank. Until recently, the principal objective of the UAE's monetary policy has been to maintain the stability of the fixed exchange rate regime and to manage inflation. In common with most other GCC countries, and reflecting the fact that oil and gas revenues are priced in US dollars, the UAE dirham is linked to the US dollar. In the case of the UAE, the exchange rate has been maintained at AED 3.6725 = U.S.\$1.00 since 22 November 1980. There are no exchange controls in the UAE and the UAE dirham is freely convertible.

Towards the end of 2007, there was significant press speculation that certain countries within the GCC (including the UAE) might de-peg or re-peg their national currencies from the US dollar in favour of a peg against a basket of currencies. To date, only Kuwait has taken this step. The UAE authorities have expressed publicly their commitment to the US dollar peg. In addition, there are ongoing discussions between the GCC countries relating to a possible monetary union. The UAE has not publicly committed to any such union.

With the advent of the global financial crisis in 2008, the UAE's monetary policy was, in addition, focused on protecting its banking sector and a number of measures were announced by the UAE Central Bank and federal authorities in this regard. See "*Response to the Global Financial Crisis*" below.

### Liquidity and Money Supply

The table below sets out certain liquidity indicators for the UAE as at 31 December in each of the years 2007 to 2010:

	2007	2008	2009	2010
	<i>(in millions of AED)</i>			
Currency issued (M0) .....	31,671	45,327	45,580	47,775
Money supply (M1).....	181,664	208,138	223,482	232,961
Private domestic liquidity (M2) .....	565,702	674,310	740,618	786,388
Overall domestic liquidity (M3) .....	696,229	899,093	947,780	985,172
Broad money (M2) to nominal UAE GDP (per cent.)	59.7	58.3	74.6	71.9
Private sector credit.....	491,528	729,825	723,866	720,617
Private sector credit to nominal UAE GDP (per cent.)	51.8	63.1	72.9	65.9
Domestic credit .....	626,694	924,383	958,588	972,107
Domestic credit to nominal UAE GDP (per cent.) .....	66.1	80.0	96.6	88.9

Sources: UAE Central Bank

Reflecting high oil prices through the first half of 2008, the UAE experienced significant capital inflows with broad money (comprising cash and money on deposit in banks in the domestic currency) expressed as a percentage of the UAE's nominal GDP being 59.7 per cent. at 31 December 2007. AED term deposits in particular grew significantly in the period to mid-2008. The growth in liquidity was also reflected in increased availability of credit with high levels of both private sector credit and domestic credit at 31 December 2008.

Reflecting the effects of the global financial crisis, the rate of growth in broad money has slowed, with broad money increasing by only 6.2 per cent. in the 12-month period from 31 December 2009 to 31 December 2010 compared with an increase of 19.2 per cent. in the 12-month period from 31 December 2007 to 31 December 2008. Similarly, the availability of credit has been constrained since the fourth quarter of 2008 with private sector credit standing at AED 723,866 million at 31 December 2009 and AED 720,617 million

at 31 December 2010 (compared to AED 729,825 million at 31 December 2008) and domestic credit standing at AED 958,588 million at 31 December 2009 and AED 972,101 million at 31 December 2010 (compared to AED 924,383 million at 31 December 2008).

### Foreign Reserves

The following table sets out the foreign assets holdings of the UAE Central Bank as at 31 December in each of the years 2007 to 2010:

	2007	2008	2009	2010
	<i>(in millions of AED)</i>			
Foreign Assets Holdings .....	285,693	113,039	89,875	116,701

Sources: UAE Central Bank

These assets are principally held in deposit accounts with banks outside the UAE or are invested in securities and treasury bills issued by non-UAE issuers. The official reserves figure, however, excludes the stock of publicly controlled foreign assets held in other accounts by investment bodies controlled by individual emirates.

In addition, the ruling families of the various emirates as well as the governments of the emirates and private citizens within the emirates have significant sums invested abroad.

The high level of foreign reserves at the end of 2007 principally reflected US dollar purchases by the UAE Central Bank in response to market speculation that the UAE might abandon its policy of pegging the national currency to the US dollar. As this speculation abated in 2008, the UAE Central Bank was able to sell US dollars thus reducing its foreign currency reserves at the end of 2008 by comparison with the level at the start of the year. Foreign currency reserves also partially declined in the second half of 2008 and 2009 due to a drop in global oil prices as compared to oil prices prevailing in 2007 and the first half of 2008, but subsequently increased in 2010 reflecting higher oil prices.

### Banking and Financial Services

The financial corporations sector in Dubai contributed AED 33,115 million (or 11.3 per cent. of Dubai's real GDP) in 2010.

Within the UAE as a whole, the financial sector was estimated to have contributed approximately 6.6 per cent. of real GDP in 2010 (according to preliminary estimates published by the NBS). With 51 licensed commercial banks (comprising 23 local banks with 732 branches and 28 licenced foreign banks with 83 branches) at 31 December 2010, serving a population estimated to be in the region of 8.3 million at the end of 2010, the UAE could be viewed as an over-banked market, even by regional standards.

UAE banks continue to be profitable, although they have been affected by the liquidity issues that have been experienced by banks globally since the second half of 2008. According to the UAE Central Bank, the aggregate loans and advances extended to residents and non-residents of the UAE at 28 February 2011 was AED 1,049.2 billion, compared to AED 1,031.3 billion at 31 December 2010, AED 1,017.7 billion at 31 December 2009 and AED 993.7 billion at 31 December 2008. Of these amounts, specific and general provisions were AED 58.1 billion, AED 56.8 billion, AED 43.3 billion and AED 25.0 billion, respectively equating to provision rates of 5.5 per cent., 5.5 per cent., 4.3 per cent. and 2.5 per cent., respectively.

The table below provides a statistical analysis of the UAE banking sector as at 31 December in each of the years 2007 to 2010.

	2007	2008	2009	2010
	<i>(in millions of AED)</i>			
Total Number of Commercial Banks .....	49	52	52	51
Total Number of Branches .....	589	696	756	815
Total Number of Employees .....	32,142	39,589	37,704	37,403
Total Credit Facilities <sup>(1)</sup> (AED millions) .....	626,694	924,383	958,588	972,107
Total Provisions <sup>(2)</sup> (AED millions) .....	26,678	25,269	43,300	56,800
Total Assets <sup>(1)</sup> (AED millions) .....	1,202,285	1,447,894	1,521,002	1,609,257
Total Deposits (AED millions) .....	716,021	912,170	982,579	1,049,628

Source: UAE Central Bank

Notes:

- (1) Net of provisions and interest in suspense.  
(2) Including interest in suspense.

### ***Principal Banks in Dubai***

The table below provides summary information for each of the five principal banks by asset size established in Dubai:

	Number of Branches <sup>(1)</sup>	Year Established	Government ownership (per cent.)	Assets (AED millions) <sup>(1)</sup>
Emirates NBD .....	105	2007 <sup>(2)</sup>	55.64	286,216
Dubai Islamic Bank.....	66	1975	29.80	90,138
Mashreqbank .....	53	1967	–	84,846
Commercial Bank of Dubai .....	25	1969	20.00	36,511
Noor Islamic Bank .....	13	2008	25.00	18,193

Sources: Published financial statements.

Notes:

- (1) As at 31 December 2010.  
(2) Year of merger of Emirates Bank International and National Bank of Dubai.

### ***Supervision of Banks***

The UAE Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE. 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. Returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they are required to contain. An improved risk management framework is currently being implemented, which is designed to provide the UAE Central Bank with more up-to-date information on credit, market and operational risks within the banking sector.

The UAE Central Bank does not act as a lender of last resort, a role which tends to fall on the individual emirates.

Federal Law No. 10 of 1980 (the “1980 Law”) grants the UAE Central Bank powers to:

- exercise currency issue, stabilisation, valuation and free convertibility;

- direct credit policy for balanced growth of the economy;
- organise and promote an effective banking system with private banks and institutions;
- advise the federal government on financial and monetary issues;
- maintain the federal government's reserves of gold and foreign currencies;
- act as a bank for the federal government and other banks operating in the UAE; and
- act as the federal government's financial agent with the IMF, the World Bank and other international financial organisations.

The UAE Central Bank is also responsible for regulating anti-money laundering activities in the UAE. It has established a Financial Intelligence Unit and hosted teams from the Financial Action Task Force ("FATF") and the 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 an adequate anti-money laundering system.

Since 1999, regulated banks in the UAE have been required to report in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

### ***Characteristics of the Banking System***

The UAE banks are predominantly focused on the domestic market. In 1987, foreign banks operating in the UAE were limited to a maximum of eight branches.

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. The high oil prices and strong economic conditions in the UAE in the period before the global financial crisis allowed the UAE banks to expand their activities significantly with total loans and deposits of the banking sector increasing by 255 per cent. and 214 per cent., respectively, between 31 December 2004 and 31 December 2008. As a result, the UAE financial system entered the global crisis exposed to a highly leveraged economy, a factor which the authorities recognised and responded to during the crisis, see "*Response to the Global Financial Crisis*" below.

There is a high degree of state involvement in the UAE banking sector, with the five largest banks being controlled by the governments and/or ruling families of individual emirates.

Additionally, a number of banks have developed in the Islamic world, including in the UAE, to serve customers who wish to observe Shari'ah principles, including the prohibition on the charging of interest on any financial transaction. These institutions offer a range of products, which broadly correspond to conventional banking transactions but are structured to ensure that all relevant Shari'ah principles are complied with. The principal Dubai-based Islamic banks are Dubai Islamic Bank, Emirates Islamic Bank, Dubai Bank and Noor Islamic Bank.

### **Structure of the Banking System**

Banking institutions in the UAE fall into a number of categories, as defined by the 1980 Law. Domestic commercial banks, also known as local banks, of which there were 23 at 31 December 2010, are required to be public shareholding companies with a minimum share capital of AED 40 million.

Licensed foreign commercial banks, of which there were 28 at 31 December 2010, need to demonstrate that at least AED 40 million has been allocated as capital funds for their operations in the UAE. The 1980 Law also licences financial institutions (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities but are not permitted to accept funds in the form of deposits), investment banks (institutions which may not accept deposits with maturities of less than two years but which may borrow from its head office or other banks and the financial markets) and financial and monetary intermediaries (money and stock brokers).

## **Response to the Global Financial Crisis**

### ***Capital***

The national banks are well capitalised by international standards. The UAE Central Bank previously required all UAE banks to have a total capital adequacy ratio of at least 10 per cent. (of which Tier I capital must reach a minimum of 6 per cent. and Tier II capital may only be considered up to a maximum of 67 per cent. of Tier I capital), of total risk weighted assets. However, as a result of the global economic slowdown, the UAE Ministry of Finance and the UAE Central Bank temporarily increased the total capital ratio to 11 per cent. (from 30 June 2009) and 12 per cent. (from 30 June 2012). Subsequently, on 31 August 2009, the UAE Central Bank recommended that domestic and foreign banks operating in the UAE should ensure a minimum Tier I capital adequacy ratio of 7 per cent. with a minimum total capital adequacy ratio of 11 per cent. by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier I capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of 12 per cent. by 30 June 2010.

While the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements (“BIS”) guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.

Banks in the UAE 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 specific defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

The UAE banks were required to implement the Basel II Accord using the standardised approach for credit risk by December 2007 and all UAE banks were expected to be internal risk-based compliant for credit risk by 1 January 2011. Basel II requires banks to maintain a minimum capital adequacy ratio of 8 per cent. calculated as the percentage of total eligible regulatory capital to total risk weighted assets for credit risks, operational and market risks. Under Pillar II, regulators could require some banks to provide additional capital based on the overall risk profile, beyond the minimum requirements under Pillar 1.

During 2009, the Government of Dubai (acting through the ICD) subscribed for AED 4 billion of mandatory convertible securities issued by Emirates NBD Bank PJSC. In addition, the federal government provided AED 50 billion in deposits to UAE banks and UAE banks were given the option to convert those deposits into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE subsequently made such conversions. As a result, the average capital adequacy ratio of all UAE national banks increased to 20.8 per cent. at 31 December 2010 from 19.2 per cent. at 31 December 2009 and 13.3 per cent. at 31 December 2008.

### ***Liquidity***

Most of the UAE banks are funded through on-demand or time based customer deposits made by private individuals or private sector companies. Together, these deposits constituted approximately 63.8 per cent. of total deposits of the UAE banking sector at 28 February 2011. Government and public sector deposits contributed approximately 23.1 per cent. of total deposits at 28 February 2011. Non-resident sources contributed approximately 11.0 per cent. as at the same date.

There is currently no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the authorities and, in May 2011, Dubai Bank was taken over by the Government of Dubai, see “*Increased Provisions and Insolvencies*” below. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Thereafter, in May 2009, the UAE’s Federal National Council approved a draft law guaranteeing federal deposits although the law remains unapproved.

In addition, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established

an AED 50 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a certificates of deposit repurchase facility under which banks can use certificates of deposit as collateral for dirham or US dollar funding from the UAE Central Bank.

Certain mortgage companies based in the UAE have experienced significant liquidity issues since 2008. One of these institutions is Tamweel, which was established in 2004 as a real estate Islamic finance provider. In October 2010, the Government of Dubai supported the move by Dubai Islamic Bank to take a controlling stake in Tamweel (of 58.25 per cent.) and additionally assisted Tamweel in rolling over existing banking and corporate debts for five years. Subsequent to the support provided by Dubai Islamic Bank, Tamweel returned to profitability in 2010. Additionally, Tamweel's share listing on the DFM was restored on 10 May 2011, after having been suspended in November 2008.

The UAE Central Bank is expected to tighten regulations on how banks in the UAE manage liquidity through the introduction of new qualitative, quantitative and reporting requirements on liquidity risk management.

### ***Increased Provisions and Insolvencies***

A number of UAE and Dubai banks have announced exposures to well-known GCC-based companies which have become insolvent or have been or are being restructured. These include the Saad and Algosaiibi groups of Saudi Arabia and Tabreed and the Dubai World group in the UAE. As a result of declining economic conditions since late 2008 and increasing insolvencies and restructurings, the provisions recorded by banks in the UAE have increased from AED 25.0 billion, or 1.7 per cent. of total UAE bank assets, at 31 December 2008 to AED 43.3 billion, or 2.7 per cent. of total UAE bank assets at 31 December 2009, and AED 56.8 billion, or 3.4 per cent. of total UAE bank assets, at 31 December 2010.

In November 2010, the UAE Central Bank published a new set of rules making it mandatory for banks and financial institutions to make provisions for their impaired loans on a quarterly basis. The new guidelines prescribe specific provisions for three categories of impaired loans and stipulate that lenders should build up general provisions equal to 1.5 per cent. of risk weighted assets over a period of 4 years, up from the previous requirement of 1.25 per cent.

Dubai Bank was taken over by the Government of Dubai in May 2011. The objective was to ensure the preservation of all of Dubai Bank's depositors' interests and the takeover was designed to ensure that Dubai Bank's business continued uninterrupted while options for the bank's future, whether to be run on a stand-alone basis or to be potentially merged with another Government of Dubai-owned bank, are assessed. The takeover was supported by both the UAE Central Bank and the UAE Ministry of Finance.

### ***Large Exposures***

In relation to private sector entities, the UAE Central Bank has set a large exposures limit of seven per cent. of bank capital and a single holding limit of five per cent. of bank capital. In relation to government-related commercial entities, the UAE Central Bank has set a single holding limit of 25 per cent. of bank capital. The UAE Central Bank has not specified a single holding limit for banks in relation to government departments.

### ***Federal Debt Management***

In December 2010, the Federal National Council passed the Public Debt Law under which the total value of UAE's public debt should not be more than 25 per cent. of the GDP or AED 200 billion, whichever is lower at the time of issuing public debt. The Public Debt Law is awaiting the approval of the President of the UAE and is therefore yet to be enacted. The Public Debt Law could therefore change before it is enacted.

### ***Credit Information Agency***

In May 2010, the Government of Dubai appointed the Emirates Credit Information Company ("Emcredit") as the official body for providing credit information services in Dubai. Emcredit is now the entity responsible

for providing credit reporting services in the emirate, with responsibility for collecting, storing, analysing and disseminating credit information in Dubai. Additionally, in February 2011, the UAE Central Bank issued new regulations in relation to the retail banking sector, aimed at controlling lending activities and excessive charges by banks, whilst also protecting banks by regulating lending and encouraging banks to carry out proper due diligence on potential borrowers.

## Insurance

There is an absence of published statistical data on the insurance sector in the UAE and Dubai. Insurance companies are regulated by the Insurance Division of the Federal Ministry of Economy.

## Capital Markets

The capital markets in the UAE are regulated by a number of entities including the Emirates Securities and Commodities Authority (the “SCA”), which licences intermediaries to trade on the Dubai Financial Market (the “DFM”) and the Abu Dhabi Stock Exchange (the “ADX”). The SCA is a federal government organisation but has financial, legal and administrative independence.

In common with other regional exchanges, the DFM and ADX experienced a sustained decline in market capitalisation from mid-2008 till end-2010. However, the ADX recovered slightly in 2009, with a 17 per cent. increase in market capitalisation, following a fall of 43 per cent. in 2008.

The other significant stock exchange in the UAE is NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) which commenced operations in September 2005 and, as an entity based in the Dubai International Financial Centre, is separately regulated.

The DFM, which is now, along with NASDAQ Dubai, owned by Borse Dubai, was established by the Government of Dubai in 2000 as an independent entity and operates as a market for the listing and trading of shares, bonds and investment units issued by companies, investment funds and other local or foreign financial institutions that conform to its listing requirements.

The DFM index stood at 1,630.5 at the end of December 2010 compared to 1,803.6 at the end of December 2009, a decrease of 9.6 per cent. This is a reflection of reduced profits especially from the leading real estate sector. The total market capitalisation of the DFM Index reduced by 6.7 per cent. in 2010 reaching AED 199.1 billion at the end of December 2010 down from AED 213.4 billion at the end of December 2009.

The table below shows the number of traded shares, the value of traded shares and the number of executed transactions on the DFM for the periods indicated:

	2007	2008	2009	2010
Number of Traded Shares ( <i>millions</i> ).....	105,257	76,508	110,700	38,392
Value of Traded Shares ( <i>AED millions</i> ) .....	379,410	305,202	173,600	69,665
Number of Trades .....	2,252,000	2,131,000	1,984,000	795,000
Market Capitalisation ( <i>AED millions</i> ).....	499,719	231,812	213,377	199,086

Source: Dubai Statistics Centre

The value of traded shares on the DFM decreased by 59 per cent. reaching AED 69.7 billion in 2010 down from AED 173.6 billion in 2009. The number of shares traded decreased 65.3 per cent. to AED 38.4 billion in 2010 from 110.7 billion in 2009. The number of trades decreased by 60 per cent. to 795,000 from 1,984,000 in 2009. The Real Estate and Construction sector accounted for the highest value of trades in 2010, at AED 46.9 billion representing 67.3 per cent. of the value of all traded shares. This was followed by the Investment and Financial Services sector with a value of AED 10.5 billion, representing 15.1 per cent of the value of all traded shares, the Transport sector with a value of AED 4.2 billion, representing 6.0 per cent. of the value of all traded shares, and the Banking sector with AED 4.2 billion representing 5.98 per cent. of the value of all traded shares. The other sectors represented 5.7 per cent. of the value of all traded shares with AED 4.0 billion in 2010.

## NASDAQ Dubai

NASDAQ Dubai (formerly known as the Dubai International Financial Exchange or DIFX) commenced operations in September 2005. On 22 December 2009, DFM announced that it had made an offer to Borse Dubai Limited and the NASDAQ OMX Group to acquire NASDAQ Dubai. The offer was valued at U.S.\$121 million and comprised U.S.\$102 million in cash and 40 million DFM shares. The merger was approved by Borse Dubai Limited and the OMX Group and was completed on 11 July 2010. Subsequent to the transaction, both NASDAQ Dubai and DFM are operating as two distinct markets that are subject to different regulatory frameworks. NASDAQ Dubai is regulated by the Dubai Financial Services Authority and the DFM is regulated by the SCA.

NASDAQ Dubai's standards are comparable to those of leading international exchanges in New York, London and Hong Kong. NASDAQ Dubai allows regional and international issuers access to regional and international investors through primary or dual listings. Investors can access NASDAQ Dubai through a unique mix of regional and international brokers.

NASDAQ Dubai currently lists equities, equity derivatives, Dubai gold securities, structured products, Sukuk and conventional bonds. It is one of the world's largest exchanges for Sukuk, with 16 Sukuk listed on NASDAQ Dubai as at 31 May 2011.

Equity listings on NASDAQ Dubai include DP World, which had the Middle East's largest IPO in 2007 at U.S.\$5.0 billion, as well as Damas, Depa and Gold Fields.

In 2010, equities traded value on NASDAQ Dubai rose by 22 per cent. to U.S.\$1.131 billion (AED 4.8 billion) compared to U.S.\$1.07 billion (AED 3.9 billion) in 2009. However equities volumes fell by 15.3 per cent. in 2010 to 2.6 billion shares, down from 3.1 billion in 2009.

The table below shows the number of traded shares, the value of traded shares and the number of executed transactions on NASDAQ Dubai, as well as the market capitalisation of NASDAQ Dubai, for the periods indicated:

	2007	2008	2009	2010
Number of Traded Shares ( <i>millions</i> ).....	1,103	2,392	3,096	2,623
Value of Traded Shares ( <i>AED millions</i> ) .....	5,335	6,439	3,952	4,805
Number of Executed Transactions .....	7,832	28,862	22,471	20,241
Market Capitalisation ( <i>AED millions</i> ).....	214,772	151,719	181,229	183,337

Source: Dubai Statistics Centre

## PUBLIC FINANCE

### Government Finance

#### *Dubai Government Budget*

The Government of Dubai is organised into 20 major departments, each with specific responsibilities. The Government of Dubai's budget, which is prepared on a cash basis, consolidates the individual budgets of each department. It does not consolidate the budget data for GREs except for income in respect of dividends received from ICD (see "*Principal Investments*").

The Government of Dubai's budget principally incorporates revenues, recurrent expenditure, development expenditure, Dubai's contribution to the federal government and domestic and foreign aid grants. The Government of Dubai's budget also includes financing items such as loan disbursements and repayments and equity participation payments and realisations.

The Government of Dubai's budget preparation process is co-ordinated by the DOF and typically commences in the second half of each calendar year when the individual departments are requested to submit their budgets. These budgets are reviewed, negotiated and agreed with each department and then consolidated by the DOF. Subsequently, the DOF submits the consolidated budget to the SFC which in turn reviews and agrees the budget with the DOF before it is finally approved in mid-December of each year by the Ruler of Dubai ahead of its announcement in January.

All revenues collected by the various departments are credited to a single revenue account held by the DOF. The expenditures of each department are monitored by the DOF and reported on a periodic basis to the Director General of the DOF and the SFC. Any proposed spending beyond an allocated budget requires justification and approval. The DOF prepares annual financial statements which are audited by the Emirates' Financial Audit Department. These financial statements are not published.

All figures contained in this section "*Public Finance*" for the year 2010 are unaudited figures prepared by the DOF. Such figures are subject to change once the consolidated government accounts for the fiscal year 2010 are audited.

#### *Budget 2011 details*

The Government of Dubai has budgeted government revenues in 2011 of AED 29.9 billion, slightly higher than the revenues in 2010, and has budgeted total expenditure to be AED 33.7 billion, which is approximately 6.4 per cent. lower than 2010 expenditure, resulting in an overall budget deficit of AED 3.8 billion in 2011 compared with a deficit of AED 6.0 billion in 2010 (see "*Budget Surplus or Deficit*" below).

Development expenditure remains a significant item in the 2011 budget and is expected to be incurred mainly in relation to key projects such as the on-going construction of Dubai Metro infrastructure, Al Sufouh transit system and completion of various road projects. Approximately AED 7.5 billion of total public spending (which represents approximately 22 per cent. of total government expenditures) is budgeted for infrastructure development in the 2011 budget. The budget deficit for 2011, at AED 3.8 billion represents 1.3 per cent. of Dubai's overall nominal GDP in 2010.

The 2011 budget reflects a decline in estimated overall government spending of approximately 6.4 per cent. compared to 2010, reflecting both a reduction in current expenditure as a result of efficiency programmes and in development expenditure following the completion of certain infrastructure projects in 2010.

The table below provides a summary of the Government of Dubai's actual revenues and expenditures for each of 2007 through 2010 and budgeted data for 2011:

	2007	2008	2009	2010	2011 <sup>(1)</sup>
	<i>(in millions of AED)</i>				
<b>Non-Tax Revenue</b> .....	<b>18,767</b>	<b>25,015</b>	<b>21,293</b>	<b>22,811</b>	<b>22,954</b>
Oil & Gas .....	6,770	8,495	4,703	5,014	2,508
Enterprise Profits .....	1,470	1,819	770	1,885	2,000
Other .....	10,527	14,700	15,820	15,912	18,446
<b>Tax Revenue</b> .....	<b>6,838</b>	<b>7,603</b>	<b>7,132</b>	<b>7,056</b>	<b>6,952</b>
Customs .....	5,996	6,414	5,792	5,944	6,000
Income Tax .....	842	1,190	1,340	1,113	952
<b>Total Revenue</b> .....	<b>25,605</b>	<b>32,618</b>	<b>28,425</b>	<b>29,868</b>	<b>29,906</b>
<b>Current Expenditure</b> .....	<b>16,384</b>	<b>22,466</b>	<b>25,609</b>	<b>23,757</b>	<b>22,754</b>
Wages and Salaries .....	5,906	8,168	10,369	10,886	12,382
Goods and Services .....	3,983	5,073	6,748	6,555	6,680
Subsidies and Transfers .....	5,168	7,582	5,753	5,357	2,672
Other .....	1,327	1,643	2,739	960	1,020
Development Expenditure .....	8,917	14,331	13,499	8,852	7,450
Loan and Equity (net) .....	–	–	1,056	2,680	1,980
Grants.....	1,200	1,200	1,200	600	1,500
<b>Total Expenditure</b> .....	<b>26,501</b>	<b>37,997</b>	<b>41,364</b>	<b>35,890</b>	<b>33,684</b>
<b>Overall Balance</b> .....	<b>(896)</b>	<b>(5,378)</b>	<b>(12,939)</b>	<b>(6,022)</b>	<b>(3,778)</b>

Source: DOF

Notes:

(1) Budget for 2011.

### **Revenue**

Dubai's revenues are categorised as non-tax revenues and tax revenues. The Government of Dubai's non-tax revenue, which has comprised around 75 per cent. of total revenues in each of 2007 through 2010 and is budgeted to remain at a similar level in 2011, principally comprises a range of fees as well as revenues from oil and gas operations and contributions made by ICD to the Government of Dubai. The increase in oil and gas revenues by 7 per cent. in 2010 compared to 2009 reflects the higher international oil prices in 2010 compared to 2009.

The fee revenues, which are referred to as "Other" in the table above, include land transfer and mortgage registration fees, housing fees, municipality fees, immigration and visa related fees, tourism related fees (including hotel taxes), aviation related fees, such as airport taxes and other transport related fees, including road tolls and automobile registration fees. These fees have increased as a proportion of non-tax revenues, from 56.1 per cent. in 2007 to 58.7 per cent. in 2008, 74.6 per cent. in 2009 and were 69.8 per cent. in 2010. These fees are budgeted to account for around 80.4 per cent. of non-tax revenues in 2011 reflecting a fall in oil and gas revenues as discussed below.

Tax revenues comprise customs duties, which have comprised more than 75 per cent. of total tax revenues in each of 2007 through 2010 and are budgeted to comprise approximately 85 per cent. of total tax revenues in 2011. In addition to customs duties, the Government of Dubai levies a 20 per cent. income tax on profits earned by foreign banks operating in Dubai and the income tax line item in the table above represents this tax. Dubai itself does not levy any income tax on individuals or businesses. The fall in revenues from the income tax category of 17 per cent. in 2010 compared to 2009 reflects the impact of the global economic downturn on the banking sector in Dubai.

The Government of Dubai has no plans currently to implement income or corporation taxes, although there has been speculation in relation to a federal government imposed value added tax regime for some time.

Overall revenues collected by the Government of Dubai increased by approximately 5 per cent. in 2010 as compared to 2009.

In 2009, the Government of Dubai directed that fees for government services should not be increased in the near term to reduce the strain on residents during the global downturn. As a result, the fee rates that are charged for various government services have largely remained stable since 2009. The budgeted increase in fee collection in 2011 reflects anticipated increased use of the services provided by the Government of Dubai.

Other sources of non-tax revenues include revenues from oil and gas production. The increase in such revenues up until 2008 was principally accounted for by increasing international oil prices during that period. Since 2008, oil and gas revenues have been included in the budget net of related oil and gas expenditure, reflecting the fact that following the expiration of a concession agreement in 2008, the government has been solely responsible for managing Dubai's oil and gas production. The budgeted decline in oil and gas revenues in 2011 reflects increased oil and gas expenditure and lower budgeted oil prices.

The table below shows a breakdown of the Government of Dubai's revenues by department for each of 2007 through 2010 and the budgeted breakdown for 2011:

	2007	2008	2009	2010	2011 <sup>(1)</sup>
	<i>(in millions of AED)</i>				
Ports and Customs .....	5,996	6,414	5,792	5,944	6,000
Department of Finance .....	3,295	3,344	2,368	3,086	3,510
Roads and Transport Authority <sup>(2)</sup> .....	2,126	2,887	3,763	4,156	3,545
Dubai Municipality .....	3,943	4,966	4,572	4,759	4,728
Department of Petroleum Affairs .....	6,770	8,495	4,703	5,014	2,508
Department of Civil Aviation .....	1,289	1,428	1,940	2,356	2,433
Lands Department .....	991	2,306	1,289	1,139	1,300
Dubai Police .....	358	850	1,061	1,190	1,300
Department of Economic Development	297	320	316	333	371
Immigration Department <sup>(3)</sup> .....	-	900	794	830	876
Other Departments.....	540	708	1,827	1,061	3,336
<b>Total.....</b>	<b>25,605</b>	<b>32,618</b>	<b>28,425</b>	<b>29,868</b>	<b>29,906</b>

Source: DOF

Notes:

- (1) Budget for 2011.
- (2) RTA revenues for 2011 includes AED 275 million towards debt servicing of Salik monetisation. See "*Indebtedness – Guarantees and Contingent Obligations.*"
- (3) The data for the Immigration Department is not available prior to 2008.

The revenues for the Department of Finance increased by 30 per cent. in 2010 compared to 2009 primarily due to higher enterprise profits in 2010. The revenues for the Department of Petroleum Affairs increased by 7 per cent. in 2010, reflecting higher international oil prices in 2010 as compared to 2009. The Department of Civil Aviation benefitted from the higher number of passengers in 2010 (47.2 million as compared to 41 million in 2009), increasing revenues for the department by 21 per cent. in 2010. The RTA had a 10 per cent. increase in revenues in 2010, principally due to the Dubai Metro being fully operational for the whole of 2010. The Lands Department saw a 12 per cent. decline in revenues in 2010 compared to 2009 due primarily to a drop in the number of real estate transactions.

## *Expenditure*

Total expenditure budgeted for 2011 is AED 2.2 billion, or 6.1 per cent., lower than total expenditure in 2010. The decline in expenditure is primarily a result of the planned completion of certain capital intensive RTA infrastructure projects and a significant reduction in subsidies and transfers.

The Government of Dubai's expenditures principally comprise current and development expenditure. In relation to current expenditure, the Government of Dubai's policy is that this should not be funded by non-current revenue. Accordingly, the Government of Dubai generally uses its oil and gas revenues as well as borrowings only to fund development expenditure.

The Government of Dubai's current expenditure principally comprises salaries and wages paid and the other costs of providing the services offered by each department. In addition, current expenditure includes subsidies and transfers paid by the Government of Dubai to, among others, sports clubs, cultural organisations, social and research entities, shopping festival allocations, charitable and religious initiatives.

In each of the years from 2007 to 2009, current expenditure accounted for approximately 60 per cent. of the total Government of Dubai expenditure. Current expenditure accounted for 67 per cent. of total expenditure in 2010 and is budgeted to account for approximately 68 per cent. of total expenditure in 2011. Within current expenditure, wages and salaries increased until 2009 reflecting substantial pay rises to ensure parity with government employees in other emirates. Additionally, the total number of government employees has also increased as projects such as the Dubai Metro, the expansion of the Dubai International Airport and the construction of Al Maktoum International Airport have been completed in whole or part. Goods and services expenditure has also increased in recent years reflecting an expansion of services provided by various departments as they expand to serve a growing population.

The decrease in current expenditure for 2010 compared to 2009 principally reflected a significant fall in "Other" expenditure in 2010 which was due to the fact that the major portion of RTA bus purchases were completed in 2009.

The Government of Dubai's development expenditure accounted for approximately 35 per cent. of total expenditure in the years from 2007 to 2009, accounted for 25 per cent. in 2010 and is budgeted to account for approximately 22 per cent. of total expenditure in 2011. The principal focus of development expenditure in recent years has been on strengthening the public transport infrastructure in the emirate as evidenced by the significant funding allocated to the RTA and shown in the table below. Development expenditure in 2010 fell by 34 per cent. due to the majority of Dubai Metro construction having been completed in 2009 and completion of a new sewage plant in Jebel Ali. The DURL settlement agreed in February 2010 has had the effect of reducing RTA development expenditure in 2011 while increasing it in subsequent years.

The increase in the loan and equity category of expenditures in 2010 is due to higher interest payments due in 2010.

The table below shows a breakdown of the total expenditure of the Government of Dubai departments for each of 2007 through 2010 and the budgeted total expenditure for 2011:

	2007	2008	2009	2010	2011 <sup>(1)</sup>
	<i>(in millions of AED)</i>				
Department of Finance .....	6,818	6,646	8,068	8,696	6,625
Department of Health & Medical Services .....	2,086	2,471	2,500	2,353	2,851
Dubai Police .....	2,758	3,142	3,818	3,854	4,297
Department of Civil Aviation .....	760	1,158	1,652	1,860	2,241
Dubai Municipality .....	2,293	3,488	3,966	3,691	3,569
Road Transport Authority .....	9,551	15,395	14,946	9,535	7,554
State Security .....	460	521	894	922	1,058
Other Departments.....	1,775	5,175	5,519	4,979	5,488
<b>Total.....</b>	<b>26,501</b>	<b>37,997</b>	<b>41,364</b>	<b>35,890</b>	<b>33,684</b>

Source: DOF

Notes:

(1) Budget for 2011.

### ***Budget Surplus or Deficit***

In 2007, 2008 and 2009, deficits representing 0.3 per cent., 1.6 per cent., and 4.4 per cent. of Dubai's nominal GDP were recorded, principally reflecting increased development expenditures in those years. In 2010, a deficit of AED 6.0 billion was recorded representing 2.0 per cent. of Dubai's nominal GDP. The 2010 deficit was lower than originally estimated due to oil revenues and enterprise profits exceeding the amount originally budgeted and development expenditures being less than budgeted.

Lower development expenditures related primarily to transportation projects such as the Dubai Metro, where the RTA was able to negotiate a settlement with the DURL Consortium (see "*Dubai Metro*").

### **Principal Investments**

The Government of Dubai owns all of the shares in two separate holding companies, ICD and Dubai World. ICD is the investment arm of the Government of Dubai. It was formed in May 2006 and, on its formation, a portfolio of investments previously held by the DOF was transferred to it. ICD's role is to supervise the investment portfolio, adding value through the implementation of best-practice corporate governance and the recruitment of qualified staff to manage the operations and the implementation of an effective global investment strategy. In addition, ICD contributes a portion of its revenue towards the Government's annual budget.

Dubai World is a holding company operating through four segments: transport and logistics; drydocks and maritime; urban development; and investment and financial services. Dubai World holds shares in a range of companies including DP World, one of the largest marine terminal operators in the world, and Economic Zones World, a free zone operator which owns both JAFZ and Techno Park in Dubai (see "*Dubai World Restructuring*").

The tables below show ICD's major holdings, both listed and unlisted, with their respective values.

**ICD Portfolio of Listed Companies:**

Name	Market Capitalisation	ICD / Government Ownership	ICD / Government Ownership Value
	<i>(AED millions)<sup>(1)</sup></i>	<i>(per cent.)</i>	<i>(AED millions)<sup>(1)</sup></i>
Emirates NBD Bank PJSC .....	21,120	55.6	11,751
Emaar Properties PJSC.....	21,258	29.4	6,246
Dubai Islamic Bank .....	8,650	29.8	2,578
Commercial Bank of Dubai .....	5,824	20.0	1,165
Union National Bank .....	8,335	10.0	834
Dubai Investments PJSC.....	3,499	11.5	404
National Bank of Fujairah .....	4,675	9.8	457
<b>Total</b> .....	<b>73,362</b>		<b>23,434</b>

Source: ICD

Note:

- (1) These values reflect market capitalisation based on DFM/ADX quoted prices as at 24 April 2011. The total figure is not a consolidation of ICD group in accordance with any accounting standards and is simply an aggregation of the individual figures which precede the total.

**ICD Portfolio of Unlisted Companies:**

Name	Market Capitalisation	ICD / Government Ownership	ICD / Government Ownership Value
	<i>(AED millions)</i>	<i>(per cent.)</i>	<i>(AED millions)</i>
Dubai Real Estate Corporation <sup>(1)</sup> .....	160,247	100.0	160,247
Emirates Group (includes DNATA) <sup>(2)</sup> .....	24,428	100.0	24,428
Dubai Aluminum Company Limited <sup>(1)</sup> .....	18,032	100.0	18,032
Emirates National Oil Company <sup>(1)</sup> .....	10,823	100.0	10,823
Borse Dubai <sup>(1)</sup> .....	8,878	79.4	7,052
Dubai World Trade Centre <sup>(2)</sup> .....	6,854	100.0	6,854
Dubai Duty Free Establishment <sup>(1)</sup> .....	3,114	100.0	3,114
Dubai Silicon Oasis <sup>(1)</sup> .....	2,558	100.0	2,558
Dubai Airport Free Zone Authority <sup>(1)</sup> .....	1,986	100.0	1,986
Dubai Cable Company Limited <sup>(1)</sup> .....	1,447	50.0	724
<b>Total</b> <sup>(3)</sup> .....	<b>238,367</b>	<b>N/A</b>	<b>235,818</b>

Source: ICD

Note:

- (1) These figures reflect the net equity value as per audited financial statements as at 31 December 2010.  
(2) These figures reflect the net equity value based on management information or draft financial statements as at 31 December 2010.  
(3) The total figure is not a consolidation of ICD group in accordance with any accounting standards and is simply an aggregation of the figures which precede the total.

The above tables do not represent all of the companies in which the Government of Dubai holds shares. The Government of Dubai has no direct shareholding in non-UAE enterprises. All the shareholdings listed in the above tables are fully paid up and unencumbered.

## ***Major ICD Investments***

### ***Dubai Real Estate Corporation***

Dubai Real Estate Corporation (“DREC”) was established by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, in June 2007 under Law No. 14 to hold and manage the real estate properties owned by the Government of Dubai or any of its departments and used for commercial purposes. DREC’s activities encompass owning and managing its land bank which includes a sizable amount of properties registered under the name of the Government of Dubai, as well as others. DREC’s mandate extends to building, investing in and utilisation of commercial and industrial lands and properties. With effect from 18 March 2010, ownership of DREC was transferred to ICD. DREC’s assets include Wasl Hospitality, Hyatt Regency Dubai, Grand Hyatt Dubai, Le Meridien Fairways, Le Meridien Dubai, The Westin Dubai Mena Seyahi, amongst other lands and properties.

### ***Emirates NBD Bank PJSC***

Emirates NBD Bank PJSC (“Emirates NBD”) is the result of a merger in October 2007 between Emirates Bank International and National Bank of Dubai. Emirates NBD is the biggest banking group in the Middle East in terms of assets with AED 286.2 billion in total assets as at 31 December 2010. It is also a leading retail banking franchise in the UAE with 130 branches and over 700 automatic teller machines spread across the UAE.

### ***Emaar Properties PJSC***

Emaar Properties PJSC (“Emaar”) is one of the world’s largest real estate companies. Emaar is listed on the DFM and is part of the Dow Jones Arabia Titans 50 Index, which is an index maintained by Dow Jones and measures 50 leading stocks traded on the major exchanges in Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Tunisia and the UAE.

With six business segments and more than 60 active companies, Emaar has a collective presence in markets spanning the Middle East, North Africa, Asia, Europe and North America regions. Emaar has established operations in the UAE, Saudi Arabia, Syria, Jordan, Lebanon, Egypt, Morocco, India, Pakistan, Turkey, China, USA, Canada and United Kingdom. In addition to its property development business, Emaar is developing new competencies in hospitality and leisure, malls, education, healthcare and other business segments.

### ***Dubai Aluminium Company Limited***

Dubai Aluminium Company Limited (“DUBAL”) produces aluminium and operates the largest single-site smelting facility in the world. More than 92 per cent. of DUBAL’s total production is exported to global markets. More than 300 customers are served in 45 countries, with key markets including the Far East, Europe, the ASEAN region, the Middle East, the Mediterranean region and North America.

### ***Emirates Group***

Emirates Airlines (“Emirates”) is the flagship company in the Emirates Group portfolio. Emirates has grown from two aircraft in 1985 to 148 as of 31 March 2011, and has evolved into a travel and tourism operation on a global scale under the umbrella of the Emirates Group. Emirates flies to more than 111 destinations in over 60 countries. The Emirates Group portfolio includes DNATA, a supplier of air travel services, Emirates SkyCargo, Emirates Hotels and Resorts, Skywards and Emirates Aviation College. In total there are more than 50 business units within the Emirates Group, which employs more than 57,000 people.

### ***Dubai Cable Company Limited***

Dubai Cable Company Limited (“DUCAB”) is jointly owned by the governments of Dubai and Abu Dhabi and has one of the most modern manufacturing units in the region. It occupies an area of 590,000 square metres of land in Jebel Ali, Dubai and nearly 330,000 square metres of land in Mussafah, Abu Dhabi.

DUCAB manufactures over 110,000 tonnes per annum of low and medium voltage power cables, components and accessories for a range of industrial applications throughout the world.

## **Dubai Financial Support Fund**

### ***Establishment and Capitalisation of the Dubai Financial Support Fund***

In response to the significant deterioration in the global and local financial markets during 2008 and into 2009, the Government of Dubai established the DFSF. The DFSF was established as an autonomous entity to provide support to strategic entities which require financial assistance but are able to demonstrate sustainable business plans, ongoing support of their existing financial creditors and realistic prospects of fulfilling their repayment obligations. Assistance provided by the DFSF is provided on arm's-length terms. The DFSF's specific objectives are:

- to provide financial support to strategic and development projects in the emirate;
- to provide liquidity for strategic projects in the emirate;
- to hold, manage and invest in debt instruments on behalf of the Government of Dubai; and
- to collect and re-invest revenues of loan instruments.

The DFSF was established by Law No. 24 of 2009 (the "DFSF Law") that was enacted in July 2009, is affiliated to the DOF and is accountable to the SFC. The DFSF is governed by a Board of Directors that is appointed by the Ruler for a renewable term of three years. The Board of Directors is headed by the appointed chairman, who currently also holds the position of the Director General of the DOF and the operational management and day-to-day activities of the DFSF are the responsibility of its Chief Executive Officer.

Applicants for support are required to submit detailed historic, current and forecast financial and operational information; comprehensive business plans with management narrative explaining how operational or financial issues are to be or have been addressed; and a detailed and substantiated explanation of how financing, including any provided by the DFSF, will be serviced and repaid. Independent investment professionals are appointed by the DFSF and are expected to critically review the information provided and conduct face to face management meetings to test the viability of the business plans presented, negotiate the nature and terms and the extent of support sought, and agree revisions where necessary. On the basis of this due diligence, the independent investment professionals make recommendations to the management of the DFSF on the extent, nature and terms and conditions of any support that might be provided. Such recommendations might cover, among other matters, on-going creditor support, adequate security, payment of interest or dividends and appropriate covenants.

The terms of any support provided may include financial and operational covenants, reporting obligations, management observation rights and step-in rights. At disbursement, procedures will be established to monitor performance and report progress periodically to the Board of Directors of the DFSF, but also to ensure proactive tracking of business plan risks so that any deviation from an agreed plan is identified in a timely way.

The DFSF has been capitalised through the proceeds of the first tranche of U.S.\$10 billion and a second tranche of U.S.\$8.45 billion of the Government of Dubai's U.S.\$20 billion five-year unsecured borrowing programme launched in March 2009. See "*Related Party Debt*" for further details.

The Government of Dubai does not publish any official estimates of any outstanding GRE indebtedness. The Government of Dubai has no legal obligation in respect of such GRE indebtedness and does not prepare consolidated accounts of the financial assets and/or liabilities of the GREs.

If any GRE which the Government of Dubai considers to be strategically important becomes unable or potentially unable to fulfil its financial obligations, the relevant GRE may choose to apply to the DFSF for assistance. The Government of Dubai is under no obligation to extend support to any such GRE either directly or through the DFSF. To date, the principal beneficiaries of DFSF funding have been Dubai World

and Nakheel as described below (see “*The Government of Dubai’s Support of Strategic Government Related Entities and the Restructuring of the Dubai World Group*”).

In March 2011, the DFSF Law was amended to ensure that any entities applying for financial support from the DFSF must provide real security and financial guarantees that ensure the performance of their obligations towards the DFSF. These security and guarantees must have real value and must be enforceable upon demand by the DFSF. In addition to this, the SFC may, where it is in public interest, convert the financial rights of the DFSF into shares of, and obtain assets from, a borrowing entity as security for its financial obligations to the DFSF. In addition, the amendments also allow the DFSF to guarantee the performance of the obligations of the Government of Dubai and non-government entities towards third parties.

### ***The Government of Dubai’s Support of Strategic Government Related Entities and the Restructuring of the Dubai World Group***

The Government of Dubai owns, or has significant investments in, GREs which have played a significant role in supporting and facilitating the Government of Dubai’s strategic development plan.

Certain GREs have incurred indebtedness, including indebtedness from international financial institutions and in the international capital markets. As a result of the global financial crisis, sharp falls in international oil and gas prices, financial sector instability, limited access to credit and the significant decline in real estate values, both globally and in Dubai and the UAE, certain GREs have suffered from asset value deterioration, limited cash flow and a lack of liquidity. Whilst not legally obliged to do so (under any guarantee or otherwise), the Government of Dubai announced its intention to support certain entities in order to maintain stability in the UAE economy, the banking system and investor confidence. The main steps taken by the Government of Dubai in relation to Dubai World and certain of its subsidiaries (the “Dubai World Group”) are set out below:

#### ***Announcement of Standstill***

In 2009, the Government of Dubai intervened in the interests of the wider economy, to protect all stakeholders and to start rebuilding the financial strength of the Dubai World Group. On 25 November 2009, Dubai World, with the support of the Government of Dubai, announced its intention to seek a standstill with the lenders of the Dubai World Group (the “Lenders”) in respect of the indebtedness of the Dubai World Group and appointed a Chief Restructuring Officer to lead the restructuring process to ensure the continuity of the Dubai World Group’s business operations. Subsequently, a coordinating committee (the “CoCom”) of seven banks was formed to represent the interests of the Lenders.

#### ***Decree No. 57 of 2009 Relating to any Future Restructuring of Dubai World and its Subsidiaries***

On 13 December 2009, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of UAE, Ruler of Dubai issued Decree No. 57 for 2009 establishing a tribunal to decide disputes related to the settlement of the financial position of Dubai World and its subsidiaries (“Decree No. 57”).

Dubai World is a GRE established pursuant to a decree issued by the Ruler of Dubai. Decree No. 57 is intended to facilitate the restructuring of a Dubai World Group company (a “DW Company”) by allowing a DW Company to continue to manage its own affairs under the supervision of a judicial tribunal and pursue a restructuring through a procedure known as a “Voluntary Arrangement”. Decree No. 57 establishes a tribunal (the “Tribunal”) which is empowered to supervise a Voluntary Arrangement or any liquidation proceedings relating to a DW Company initiated by the Tribunal. The Tribunal presently consists of three senior judges of the Dubai International Financial Centre Courts (the “DIFC Courts”). Even though the Tribunal consists of judges from the DIFC Courts, the Tribunal is not a DIFC Court. Decree No. 57 adopts, with modifications, the insolvency laws and regulations of the DIFC (the “DIFC Insolvency Laws”) as the basic legal framework for its law.

### ***DFSF Interim Funding of the Dubai World Group***

On 14 December 2009, the Government of Dubai announced that the Government of Abu Dhabi had agreed to provide funding of up to U.S.\$10 billion to the DFSF (see “*Related Party Debt*”) and that such funds would be used to satisfy a series of upcoming obligations of the Dubai World Group, including: (i) the repayment in 2009 of a U.S.\$4.1 billion sukuk issued by Nakheel Development Limited; (ii) interest and Dubai World Group’s working capital expenses through 30 April 2010; and (iii) the satisfaction of the Dubai World Group’s obligations to existing trade creditors and contractors.

### ***Dubai World and Nakheel Announcements***

On 25 March 2010, the Government of Dubai, Dubai World and Nakheel PJSC (“Nakheel”) publicly announced proposals for the restructuring of the liabilities of Dubai World and Nakheel. Dubai World and Nakheel also confirmed that they would be adopting revised business plans to take into account the changing business environment and reflect the new direction being given to both companies.

### ***Dubai World Restructuring***

On 20 May 2010, Dubai World announced that it had agreed headline economic terms with the CoCom (accounting for approximately 60 per cent. of its Lenders) and the Government of Dubai including that Dubai World’s post restructuring financial indebtedness will be approximately U.S.\$14.4 billion in total, comprising two tranches, Tranche A of U.S.\$4.4 billion and Tranche B of approximately U.S.\$10.0 billion, with five and eight year maturities, respectively. As part of this proposal, the Government of Dubai has agreed to (i) recapitalise Dubai World through the equitisation of the U.S.\$8.9 billion debt owed by Dubai World to the DFSF; (ii) commit up to a further U.S.\$1.5 billion in new funds; and (iii) provide a stop loss-guarantee of U.S.\$2,186 million in respect of certain of Dubai World’s post restructuring financial indebtedness (as described above).

On 28 November 2010, Dubai World announced that it has finalised the terms of its restructuring after obtaining approval from 100 per cent. of its creditors. On 12 December 2010 as part of the restructuring process, the Ruler of Dubai also issued a decree for establishing a new Board of Directors of Dubai World, with Sheikh Ahmed bin Saeed Al Maktoum, the head of Emirates airline, as chairman of the Company.

In March 2011, Dubai World and all of its lenders executed a new Facilities Agreement as the definitive documentation for its restructuring.

### ***Nakheel Restructuring***

Nakheel has been in discussion with its creditors and has announced comprehensive proposals for the restructuring of its outstanding debt obligations, which contemplate Nakheel being spun-off by Dubai World. As part of the restructuring proposals, financial creditors have been asked to restructure their debts at commercial rates and trade creditors have been offered a combination of cash and a tradable security. Nakheel has commenced making payments to its trade creditors and has stated that customers of Nakheel will either receive their completed property or, for those investing in longer-term projects, will be offered the option of receiving credit for the full amount of payments made by them against purchase of properties in projects nearer to completion. Those customers invested in longer-term projects who do not want to exchange their property for a property in a development nearing completion will be offered the option of a revised payment schedule or the option to hold the assignable credit for five years. Customers will be able to swap the credit during this period for property or land, or for cash at the end of five years.

Upon maturity, sukuk issued by Nakheel Development Limited, Nakheel Development 3 Limited and Nakheel Development 2 Limited, respectively, which matured in December 2009, May 2010 and January 2011, respectively, were redeemed at par using funds provided by the DFSF.

Nakheel has secured approval from approximately 90 per cent. of its trade creditors for its debt restructuring plan and plans to implement its debt restructuring, including through the issuance of a new sukuk, in the near future.

***Law No. 35 of 2009***

On 17 December 2009, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Vice President of the UAE, in his capacity as the Ruler of Dubai, issued Law No. 35 of 2009 (“Law No. 35”) ordering all government departments and GREs to transfer surplus revenue to the public treasury of the emirate of Dubai. Affected entities may, with the approval of the SFC and in coordination with ICD, re-invest profits and surplus revenues prior to relaying them to the public treasury. Full financial data on these profits and surpluses is required to be provided to the DOF.

## INDEBTEDNESS

The public finances of the Government of Dubai are cash based which results in temporary mismatches between revenues and expenses. The Government of Dubai uses overdraft facilities from UAE banks to fund such shortfall and invests any temporary surplus in short-term deposits with UAE banks. All government entities now need to obtain approval from the SFC prior to borrowing from third parties. The SFC also has the right to permit entities to borrow on their own credit strength or with the support of an explicit government guarantee (see “*Emirate of Dubai – SFC*”).

Other than such overdraft facilities, the aggregate direct debt of the Government of Dubai was AED 115.4 billion as at 20 May 2011. This debt includes funds borrowed by the Government of Dubai to finance (i) the expansion of Dubai International Airport; (ii) the first phase of the construction of Al Maktoum International Airport; (iii) other infrastructure projects in Dubai; (iv) borrowings by ICD itself but not of any of its subsidiaries or other group companies; and (v) related party debt from the Abu Dhabi Government and the Central Bank of the UAE for the DFSF and the restructuring of the Dubai World Group.

The Government of Dubai also has contingent liabilities under guarantees incurred by it (see “*Guarantees and Contingent Obligations*” below).

The breakdown of the Government of Dubai’s outstanding direct debt is as outlined in the table below:

<u>Description</u>	<u>Amount (AED millions)<sup>1</sup></u>	<u>Maturity</u>
<b>Public Notes</b>		
Euro Medium Term Notes (Unrated) .....	6,500.00	2013
Dubai DOF Sukuk (Unrated) .....	7,091.25	2014
Euro Medium Term Notes (Unrated) .....	1,836.50	2015
Euro Medium Term Notes (Unrated) .....	2,754.75	2020
Dubai DOF Wakala Sukuk (Unrated).....	2,090.00	2016
<b>Bilateral / Syndicated Facilities</b>		
Ijarah Facility .....	979.00	2011/2015
Term Loan Facility .....	640.00	2014
Govt of Dubai – DOF China Construction Bank Facility .....	3,712.46	2017
Investment Corporation of Dubai <sup>2</sup> .....	22,038.00	2011 <sup>3</sup> /2013
<b>Related Party Debt (U.S.\$20 billion facility)</b>		
Govt of Dubai U.S.\$10 billion Notes .....	36,730.00	2014
DOF – Abu Dhabi U.S.\$10 billion Facility (not fully drawn) .....	31,041.00	2014
<b>Total Direct Debt</b> .....	<b>115,412.96</b>	

Source: Dubai Department of Finance

Note:

- (1) The figures provided in this table are as of 20 May 2011.
- (2) Debt held at holding company level only.
- (3) Currently being refinanced.

All figures contained in this section are unaudited figures prepared by the DOF. Such figures are subject to change once the consolidated government accounts for the fiscal year 2010 are audited.

### **Euro Medium Term Note (EMTN) Programme**

In April 2008, the Government of Dubai acting through the DOF established a Euro Medium Term Note Programme (the “EMTN Programme”) with the maximum aggregate nominal value of notes issuable thereunder being AED 15 billion. Under this programme, the Government of Dubai issued (i) AED 4 billion floating rate notes and (ii) AED 2.5 billion fixed rate notes, each with a five year tenor. The fixed rate notes

were issued at a coupon of 4.25 per cent. (paid semi-annually in arrear) and the floating rate notes were issued at a coupon of three month EIBOR + 0.50 per cent. (paid quarterly in arrear). The maturity date for each of these series of notes is 23 April 2013.

Since its establishment and prior to the date of this base prospectus, the EMTN Programme was updated in October 2009 and September 2010, at which time the aggregate nominal value of the notes issuable under the Programme was increased to U.S.\$4 billion. The programme was also listed on the London Stock Exchange in addition to Dubai Financial Market. In September 2010, the Government of Dubai issued under this programme (i) U.S.\$500 million fixed rate notes, with a five year tenor and a coupon of 6.70 per cent. (paid semi-annually in arrear) maturing on 5 October 2015 and (ii) U.S.\$750 million fixed rate notes, with a 10 year tenor and a coupon of 7.75 per cent. (paid semi-annually in arrear) maturing on 5 October 2020.

### **Trust Certificate Issuance Programme**

In October 2009, the Government of Dubai, through a special purpose entity incorporated in the Cayman Islands known as “Dubai DOF Sukuk Limited”, announced the establishment of a U.S.\$2.5 billion Trust Certificate Issuance Programme (the “Trust Certificate Issuance Programme”). The Trust Certificate Issuance Programme is listed on the London Stock Exchange and Dubai Financial Market.

Under the Trust Certificate Issuance Programme, in 2009 the Government of Dubai issued (i) US\$1.25 billion fixed rate certificates and (ii) AED 2.5 billion floating rate certificates, each with a maturity of five years. The fixed rate certificates carry a profit rate of 6.396 per cent. (paid semi-annually in arrear) and the floating rate certificates carry a profit rate of three month EIBOR + 3.70 per cent. (paid quarterly in arrear). Each of these series of certificates matures on 3 November 2014. The proceeds of the issuance under the Trust Certificate Issuance Programme described above were primarily used to fund the expansion of Dubai International Airport and to refinance the existing Dubai Civil Aviation sukuk issued in 2004.

In March 2011, the Government of Dubai, through a special purpose entity incorporated in the Dubai Airport Free zone known as “Dubai DOF Wakala Sukuk 1 SPV FZE”, established a U.S.\$1.0 billion Wakala Trust Certificate Issuance Programme. Under this facility, in 2011, the Government of Dubai issued U.S.\$569 million fixed rate certificates maturing on 7 March 2016 carrying a profit rate of 6 per cent. (paid semi-annually in arrear) and used the proceeds of the issuance to fund the expansion of Dubai International Airport.

### **Bilateral and Syndicated Facilities**

In March 2010, the DOF entered into an AED 1 billion ijarah facility (“Dubai Ijarah Facility”). The Dubai Ijarah Facility is being repaid in 48 equal monthly instalments, the last of which falls due in April 2015, after a moratorium on payments for a period of 12 months. As of 20 May 2011, AED 979 million was outstanding under this facility.

In March 2010, as part of the Dubai World Group restructuring plan, the Government of Dubai became the obligor under a U.S.\$1.01 billion bilateral facility, which was previously the obligation of the Ports, Customs and Free Zone Corporation.

In May 2011, the DOF entered in to an AED 640 million bilateral team loan facility. The term loan will be repaid in 40 monthly installments commencing June 2011 and the residual balance is to be settled on the final maturity date.

### **Related Party Debt – Abu Dhabi Government and the Central Bank of the UAE (U.S.\$20 billion facility)**

Subsequent to the establishment of the DFSF in July 2009, the DFSF was capitalised through the proceeds of a U.S.\$10 billion bond issued by the Government of Dubai, which was subscribed by the UAE Central Bank (the “DFSF Bond”). The five-year unsecured DFSF bond pays a fixed return of 4 per cent. per annum or the five-year U.S. Treasury rate + 0.10 per cent. per annum, whichever is higher (payable quarterly in arrear). From November 2009 to date, the Government of Abu Dhabi, National Bank of Abu Dhabi and Al

Hilal Bank have collectively subscribed for additional bonds in the sum of approximately U.S.\$8.45 billion in aggregate on similar terms. Accordingly, approximately U.S.\$1.55 billion is still available to be drawn under the facility.

### **Guarantees and Contingent Obligations**

In addition to its direct debt, the Government of Dubai has also provided guarantees amounting to AED 12.99 billion in relation to the financial obligations of DEWA (see “*Economy of Dubai – Energy*”) under its securitisation programme and under its syndicated loan facility dated 8 April 2009. As of 31 December 2010, AED 4.91 billion was outstanding under the securitisation programme while the obligation of the Government of Dubai with respect to the syndicated loan facility is for a maximum amount of AED 8.08 billion. In April 2011, AED 5.4 billion of this amount was prepaid.

For a description of the Government of Dubai’s obligations under the shortfall guarantee of U.S.\$2.19 billion relating to the restructuring of Dubai World, see “*Dubai World Restructuring*”.

The Government of Dubai has provided a guarantee for an amount of approximately AED 9.6 billion in support of the RTA’s obligations under the settlement agreement with the DURL Consortium. As at 20 May 2011, AED 6.53 billion was outstanding under the agreement, see “*Dubai Metro*”.

The RTA in conjunction with the DOF entered into a secured syndicated financing under which a government-owned DIFC-incorporated special purpose company, Salik One SPC Limited, became the borrower under a facility which monetised the revenues generated by the Salik toll system operated by the RTA. The Government of Dubai has provided contingent obligations in relation to the financial obligations incurred by Salik One SPC Limited, in specific circumstances including SPV change of control, supervision or abandonment of Salik or extended force majeure in respect of the Salik toll system. As of 20 May 2011, AED 1.84 billion (of a maximum amount of AED 3.0 billion) was outstanding under this monetisation facility.

Other than the guarantees and contingent obligations disclosed above, the Government of Dubai has not guaranteed the obligations of any third parties.

### **Debt Management Office**

In May 2010, the Government of Dubai announced plans to set up a debt management office (“DMO”), in line with similar steps being taken to set up a federal debt management office by the government of the UAE. Once formed, the purpose of the DMO, inter alia, will be to establish the bases governing public debt issuance, follow prudent policies on debt risk management and reduce costs of borrowing. The DMO is expected to be part of the DOF.

## **RULES FOR LISTING BONDS ON THE DUBAI FINANCIAL MARKET**

### **Regulatory Framework**

The Emirates Securities and Commodities Authority (“ESCA”) was established by Federal Law No. (4) of 2000. ESCA is based in Abu Dhabi and is responsible for regulating the UAE capital markets and overseeing and supervising the work of the secondary securities markets, including DFM - Dubai’s stock exchange, its members, listed firms, investors and other intermediaries.

DFM was established as a public institution having its own corporate identity by Resolution of the Ministry of Economy No. 14 of 2000. Pursuant to a Decree of the Dubai Executive Council dated 27 December 2005, the corporate status of DFM was established as a Public Joint Stock Company. It operates as a market for the listing and trading of shares, bonds and investment units. With ESCA approval, DFM also accepts foreign securities.

In order to maintain a fair, efficient, liquid and transparent market, DFM conducts regular inspections of member firms and other market participants. DFM is responsible for listed company compliance and market surveillance of trading activity to ensure that rules and regulations are adhered to.

### **DFM Trading Services**

DFM operates an automated, screen-based order-driven trading system that matches buy and sell orders. The system also generates and displays details of current and historical trading activity, including prices, volumes traded and outstanding buy and sell orders.

The trading and clearing and settlement systems are linked, which ensures the immediate transfer of securities once a transaction takes place. This enables buyers to sell their securities during the same trading session.

### **Listing of Bonds with DFM**

In principle, before a United Arab Emirates-based issuer can list bonds with DFM, it must first apply for approval by the ESCA. DFM can help facilitate this process.

### **Listing Requirements**

In order to obtain the approval from the DFM referred to above, an issuer must produce a prospectus.

The prospectus should contain such information as is necessary for potential investors to make an informed assessment of the issuer and its securities. The prospectus should cover, at a minimum: the issuer’s business activities, its financial position, management strength and future prospects, full details of the issue and the rights attaching to the Notes.

The issuer must also obtain a prior approval from the Ministry of Economy (for UAE companies), or that of the UAE Central Bank (for UAE establishments other than companies).

### **Commencement of Trading**

Once approval to list is granted by ESCA and DFM, the relevant securities are admitted for trading. The securities are then quoted and may only be traded on DFM through registered brokers, who charge commissions with a maximum specified by ESCA. Payment of the amounts due arising from buying and selling orders are governed by agreements between the broker and client, in accordance with DFM rules and regulations. Funds arising from selling securities are paid to the investor within 24 hours of receiving the investor payment order or as agreed.

**Further Information**

Further information on DFM and its member brokers may be obtained from the DFM website: [www.dfm.ae](http://www.dfm.ae). Investors also have access to the DFM Help Desk at the offices of DFM, which provides guidance and information on all areas related to DFM.

## TAXATION

*The following summary of certain United Arab Emirates, Dubai International Financial Centre (“DIFC”), United Kingdom and European Union tax consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is recommended to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposal of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Base Prospectus, and of any actual changes in applicable tax laws after such date.*

### **United Arab Emirates and the Emirate of Dubai**

There is currently in force in the Emirate 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 or Dubai taxation in respect of payments of principal or interest on the Notes.

The Constitution of the UAE specifically reserves to the federal government of the UAE the right to raise taxes on a federal basis for the purpose of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with a number of countries, but these are not extensive in number.

Pursuant to Article 14 of Dubai Law No. (9) for 2004 (the “DIFC Law”), entities licensed, registered or otherwise authorised to carry on an activity, or financial and banking business, in the DIFC, and their employees, shall be subject to a zero rate of tax for 50 years from the date of enactment of the DIFC Law (i.e. 13 September 2004), including the income tax relating to their operations inside the DIFC. In addition, this zero rate of tax will also extend to transfers of assets or profits or salaries in any kind of currency to any party outside the DIFC for 50 years from the date of enactment of the DIFC Law (i.e. 13 September 2004). Article 14 of the DIFC Law also provides that it is permitted to renew the 50-year period for a similar period upon issuance of a resolution by the Ruler of Dubai. Therefore, no payments by the Issuer under the Notes are currently subject to any tax in the DIFC, whether by withholding or otherwise.

### **United Kingdom**

The comments below are of a general nature based on current United Kingdom law and HM Revenue and Customs practice relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes and are not intended to be exhaustive. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes.

#### ***Interest on the Notes***

On the basis that interest on the Notes is not expected to have a United Kingdom source, payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Persons in the United Kingdom (i) paying or crediting interest to or receiving interest on behalf of another person who is an individual, or (ii) paying amounts due on redemption of any Notes which constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act

2005 to or receiving such amounts on behalf of another person who is an individual, may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries. However, in relation to amounts payable on the redemption of such Notes HM Revenue & Customs published practice indicates that HM Revenue & Customs will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2012. If, however, the reporting obligations in the EU Directive on the taxation of savings income apply to a payment then information on the amounts payable on redemption of such Notes will have to be provided to HM Revenue & Customs.

### **EU Directive on Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, EU Member States are required 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 or to certain limited types of entities established in that other Member State. However, for a transitional period, 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 adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to EC Council Directive 2003/48/EC on the taxation of savings income, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 10 June 2011 (the “Dealer Agreement”) between the Issuer and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### Selling Restrictions

#### 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.

Bearer Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (the “Code”) and Treasury regulations promulgated thereunder.

In respect of Bearer Notes where TEFRA D is specified in the relevant Final Terms each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the “D Rules”), (i) that it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (ii) that it has not delivered and it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6);

- (d) with respect to each affiliate that acquires Bearer Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf; and
- (e) it will obtain from any distributor (within the meaning of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4)(ii)) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of subclauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations thereunder, including the D Rules.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, 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 amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

### **United Kingdom**

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

- (i) 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; and

- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the information contained in this Base Prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Base Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

#### **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (i) an “Exempt Offer” in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “DFSA”); and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the Conduct of Business Module of the DFSA Rulebook.

#### **Kingdom of Saudi Arabia**

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “Saudi Investor”) who acquires Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9(a)(2) and/or Article 9(a)(3) of the “Offer of Securities Regulations” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the “KSA Regulations”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will comply with Article 10 and/or Article 11 of the KSA Regulations.

The offer of Notes shall not therefore constitute a “public offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Notes are offered or sold to a “Sophisticated Investor” (as defined in Article 10 of the KSA Regulations); (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

## **Kingdom of Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer any Notes to the Public (as defined in Articles 142-146 of the Commercial Companies Law (decree Law No. 21/2001 of Bahrain)) in Bahrain.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) and each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and 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 (as defined in Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

## FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[date]

**Government of Dubai**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**under the U.S.\$5,000,000,000**  
**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 10 June 2011 [which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”)]\* [and the supplemental Base Prospectus dated [●]]. 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 such Base Prospectus [as so supplemented]. 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 [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing [at [website]] and during normal business hours at [address] and copies may be obtained from [address].

*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] [and the supplemental Base Prospectus dated [●]] which are incorporated by reference in the Base Prospectus dated [current date] and are attached hereto. 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 [current date] [and the supplemental Base Prospectus dated [●]]. 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 dated [current date] [and the supplemental Base Prospectuses dated [●] and [●]]. The Base Prospectus [and the supplemental Base Prospectuses] are available for viewing [at [website] [and] during normal business hours at [address] and copies may be obtained from [address].

*[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 guidance for completing the Final Terms.]*

[\* Delete where the relevant Notes are listed on the DFM only.]

*[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 may need to be £100,000 or its equivalent in any other currency.]*

- |   |                      |                     |
|---|----------------------|---------------------|
| 1 | Issuer:              | Government of Dubai |
| 2 | (i) Series Number:   | [ ]                 |
|   | (ii) Tranche Number: |                     |

- 3 Specified Currency or Currencies:
- 4 Aggregate Nominal Amount of Notes:
- (i) Series:
- (ii) Tranche:
- 5 (i) [Issue Price:]
- (ii) Net proceeds:
- 6 (i) Specified Denominations:
- (ii) Calculation Amount:
- 7 (i) Issue Date:
- (ii) Interest Commencement Date:
- 8 Maturity Date:
- 9 Interest Basis:
- 10 Redemption/Payment Basis:

[ ]

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).

[ ]

[ ]

[ ]

[ ]

[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]

[ ] (Required only for DFM listed issues)

[ ]

*(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.)*

[ ]

*(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.)*

[ ]

[Specify/Issue date/Not Applicable]

[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]

[[ ] per cent. Fixed Rate]

[[specify reference rate] +/- [●] per cent.

Floating Rate] [Zero Coupon]

[Index Linked Interest]

[Other (specify)]

(further particulars specified below)

[Redemption at par]

[Index Linked Redemption]

[Dual Currency]

[Partly Paid]

[Other (specify)]

*(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 or Redemption/Payment Basis:        | [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis] |
| 12 | Put/Call Options:                                      | [Investor Put]<br>[Issuer Call]<br>[(further particulars specified below)]  |
| 13 | (i) Status of the Notes:                               | Senior  |
|    | (ii) [Date of approval for issuance of Notes obtained: | [ ]   |
|    |  | <i>(N.B Only relevant where specific authorisation is required for the particular tranche of Notes)]</i>          |
| 14 | Listing  | [[ ] (specify)/None]  |
| 15 | Method of distribution:                                | [Syndicated/Non-syndicated]   |

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 16 Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]  
*(If payable other than annually, consider amending Condition 4)*
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with  
*[specify Business Day Convention and any applicable Additional Business Centre(s) for the definition of "Business Day"]/not adjusted]*
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount
- (iv) Broken Amount(s): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) Determination Dates: [ ] 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 (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 17 Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [ ]
- (ii) Specified Interest Payment Dates: [ ]
- (iii) First Interest Payment Date: [ ]
- (iv) Interest Period Date: [ ]  
(Interest Payment Date unless otherwise specified)
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/ other *(give details)*]
- (vi) Additional Business Centre(s): [ ]

- (vii) Manner in which the Rate(s) of Interest is/are to be of Interest is/are to be [Screen Rate Determination/ISDA Determination/ other (give details)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Calculation Agent]): [ ]
- (ix) Screen Rate Determination:
- Reference Rate: [ ]  
*(Any of LIBOR, EURIBOR or EIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)*
  - Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR and second business day in both London and Dubai prior to the start of each Interest Period if EIBOR)*
  - Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (x) SDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity [ ]
  - Reset Date: [ ]
  - ISDA Definitions: 2006
- (xi) Margin(s): [+/-][ ] per cent. per annum
- (xii) Minimum Rate of Interest: [ ] per cent. per annum
- (xiii) Maximum Rate of Interest: [ ] per cent. per annum
- (xiv) Day Count Fraction: Actual/Actual  
Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360

	30E/360
	30E/360 (ISDA)
	Other
	<i>(See Condition 4 for alternatives)</i>
(xv) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
<b>18 Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i) Amortisation Yield:	[ ] per cent. per annum
(ii) any other formula/basic of determining amount payable:	[ ]
<b>19 Index Linked Interest Note Provisions</b>	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	<i>(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.)</i>
(i) Index/Formula/other variable:	[give details]
(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Calculation Agent]):	[ ] [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[ ]
(iv) Interest Determination Date(s):	[ ]
(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ] <i>[need to include a description of market disruption or settlement disruption events and adjustment provisions]</i> [ ]
(vi) Interest Period(s):	[ ]
(vii) Specified Interest Payment Dates:	[ ]

- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Business Convention/Preceding Business Day Convention/other (*give details*)]
- (ix) Additional Business Centre(s): [ ]
- (x) Minimum Rate of Interest: [ ] per cent. per annum
- (xi) Maximum Rate of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [ ]

**20 Dual Currency Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(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.)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the [Calculation Agent]): [ ]  
*[give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]*
- (iii) 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]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

**21 Call Option**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ] per Calculation Amount
- (b) Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice period [ ]

*(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 Fiscal Agent)*

**22 Put Option**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) Notice period [ ]

*(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 Fiscal Agent)*

**23 Final Redemption Amount of each Note**

[ ] per Calculation Amount

*(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.)*

In cases where the Final Redemption Amount is Index Linked or other variable linked:

- (i) Index/Formula/variable: [give or annex details]
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent): [ ]  
*[give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]*
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Determination Date(s): [ ]

- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (vi) Payment Date:
- (vii) Minimum Final Redemption Amount: [ ] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [ ] per Calculation Amount

## 24 Early Redemption Amount

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [ ] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25 Form of Notes: Bearer Notes:  
*[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]*  
*[Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice]*  
*[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]*
- 26 Additional Financial Centre(s) or other special provisions relating to payment dates: *[Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(ii), 17(v) and 19(ix) relate]*
- 27 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]
- 28 Details relating to Partly Paid Notes: [Not Applicable/give details]  
amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

- 29 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [ ] ] apply]
- 30 Consolidation provisions: [Not Applicable/The provisions [in Condition [ ] ] apply]
- 31 Other final terms: [Not Applicable/give details]
- (When adding any other final terms consideration should be given as to whether such terms trigger the need for a supplement to the Base Prospectus and, in particular, whether such terms constitute “significant new factors” which trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

## DISTRIBUTION

- 32 (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Date of Subscription Agreement: [ ]
- (The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
- 33 If non-syndicated, name of Dealer: [Not Applicable/give name]
- 34 U.S. Selling Restrictions: [Reg. S Category 1; TEFRA C/ TEFRA D/ TEFRA not applicable]
- 35 Additional selling restrictions: [Not Applicable/give details]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the [Official List of the Dubai Financial Market] [Official List of the UK Listing Authority and to trading on the London Stock Exchange’s regulated market] of the Notes described herein pursuant to the U.S.\$5,000,000,000 Euro Medium Term Note Programme of the Issuer.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] 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 [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Government of Dubai:

By: \_\_\_\_\_

Duly authorised

By: \_\_\_\_\_

Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING AND ADMISSION TO TRADING

- (i) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market] with effect from [[●]]. [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market] with effect from [●]]. [Not Applicable.]

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

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

### 2 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer [ ]
- (ii) Estimated net proceeds: [ ]
- (iii) Estimated total expenses: [ ]

*(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

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

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

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

### 4 [Fixed Rate Notes only – YIELD

Indication of yield: [ ]

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

**5 [Index Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula/other variable 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.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]*

*The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].*

*(N.B. This paragraph 5 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**6 [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE**

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

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]*

*(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**7 OPERATIONAL INFORMATION**

ISIN Code: [ ]

Common Code: [ ]

Any clearing system(s) other than [Not Applicable/give name(s) and number(s) [and address(es)]]

Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [ ]

Names and addresses of additional Paying Agent(s) (if any): [ ]

## GENERAL INFORMATION

- (1) The listing of the Notes on the DFM Official List and the UKLA Official List will, in each case, be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to (i) the DFM Official List and to trading on the DFM or (ii) the UKLA Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or before 13 June 2011 (in respect of the DFM) and 15 June 2011 (in respect of the UK Listing Authority and London Stock Exchange). Prior to official listing and admission to trading, however, dealings will be permitted by the DFM or the London Stock Exchange, as the case may be, in accordance with their respective rules. However, unlisted Notes may be issued pursuant to the Programme.
- (2) The Issuer has obtained all necessary consents, approvals and authorisations in the UAE in connection with the establishment of the Programme. The establishment of the Programme was authorised by the Supreme Fiscal Committee, a Dubai Government department established by Decree No. 24 of 2007 of the Ruler of Dubai, on 25 March 2008. Supplemental authorisations were issued by the Supreme Fiscal Committee on 6 April 2008 and 20 October 2009. The 2011 update of the Programme was authorised by the Supreme Fiscal Committee on 31 May 2011.
- (3) There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Issuer since 31 December 2010.
- (4) The Issuer is not nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position of the Issuer.
- (5) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "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".
- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
- (7) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. Save as set out in the Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (8) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Paying Agent:
  - (i) the Agency Agreement (which includes the form of the Global Notes, the definitive Notes, the Coupons, the Receipts and the Talons) and the Deed of Covenant;
  - (ii) the budget for the current fiscal year (as set out on page 77 of this Base Prospectus);

- (iii) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within 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 Fiscal Agent as to its holding of Notes and identity); and
  - (iv) a copy of this Base Prospectus together with any further Base Prospectus. The Base Prospectus, the Final Terms for Notes that are listed on the DFM Official List and admitted to trading on the Dubai Financial Market will be published on the DFM website.
- (9) The Issuer does not publish audited financial accounts.
- (10) The business address of the Issuer is PO Box 516, Dubai, United Arab Emirates and its telephone number is +9714 353 3330.

## **REGISTERED OFFICE OF THE ISSUER**

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Department of Finance  
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United Arab Emirates

## **DEALERS**

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United Arab Emirates

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United Arab Emirates

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## **FISCAL, PAYING AND CALCULATION AGENT**

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