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 **Government**) 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 (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*".

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the Notess described herein, (1) each prospective investor in respect of the Notess 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 PJSC, Mitsubishi UFJ Securities International plc, National Bank of Abu Dhabi P.J.S.C., 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 Notess 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 Notess.

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 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 a 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 Government 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 Notess 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 Government nor any person who controls or is a director, officer, employee or agent of any Dealer, the Government 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 Government, to inform themselves about, and to observe, any such restrictions.

BASE PROSPECTUS DATED 21 JANUARY 2013

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** or the **Government**), 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 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 Securities and Commodities Authority (**SCA**), to be admitted to the Official List (the **DFM Official List**) of Securities of the Dubai Financial Market (**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 SCA, admitted to the DFM Official List and admitted to trading on the DFM or (ii) 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.

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** or **Registered Notes**). Each Tranche (as defined herein) of Bearer Notes will initially be in the form of either a temporary global note in bearer form (each a **Temporary Bearer Global Note**) or a permanent global note in bearer form (each a **Permanent Bearer Global Note**) (each a **Bearer Global Note**), in each case as specified in the relevant Final Terms. Each Temporary Bearer Global Note or, as the case may be, Permanent Bearer Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**) and/or any other relevant clearing system. Each Temporary Bearer Global Note will be exchangeable for a Permanent Bearer Global Note or, if so specified in the relevant Final Terms, for Bearer Notes in definitive form (**Definitive Bearer Notes**) in accordance with its terms. Each Permanent Bearer Global Note will be exchangeable for Definitive Bearer Notes in accordance with its terms. Each Tranche of Registered Notes will be in the form of either definitive Notes in registered form (**Definitive Registered Notes**) or a global Note in registered form (a **Registered Global Note**, and together with the Temporary Bearer Global Note and the Permanent Bearer Global Note, each a **Global Note**), in each case as specified in the relevant Final Terms. Each Registered Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Definitive Registered Notes in accordance with its terms.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been approved by the SCA, have been admitted to the DFM Official List and have been admitted to trading on the DFM.

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 may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. The Notes are subject to U.S. tax law requirements. Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, and Treasury 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 10 June 2011 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 **Standard Chartered Bank** **UBS Investment Bank**

Dealers for the Programme

Emirates NBD **National Bank of Abu Dhabi**

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (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*".

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.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances. In

particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) **has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;**

(ii) **has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;**

(iii) **has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;**

(iv) **understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and**

(v) **is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

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.

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.

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"*, *"Overview of the Emirate of Dubai"*, *"Economy of Dubai"*, *"Balance of Payments and Foreign Trade"*, *"Monetary and Financial System"* and *"Public Finance"* have been extracted from information provided by the International Monetary Fund (the *IMF*) (in the case of *"Risk Factors"*), the National Bureau of Statistics and Dubai Statistics Centre (in the case of *"Overview of the Emirate of Dubai"*), 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 IMF (in the case of "*Balance of Payments and Foreign Trade*"), the UAE Central Bank, NASDAQ Dubai and the DFM (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, 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.

Investors should also note that certain economic statistics for 2011 and 2012 set out in this Base Prospectus are preliminary, and these statistics, as well as those for earlier years, are subject to revision and 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.

TABLE OF CONTENTS

Page

RISK FACTORS.....8
OVERVIEW OF THE PROGRAMME.....15
TERMS AND CONDITIONS OF THE NOTES.....19
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM.....42
USE OF PROCEEDS.....47
OVERVIEW OF THE EMIRATE OF DUBAI.....48
ECONOMY OF DUBAI.....60
BALANCE OF PAYMENTS AND FOREIGN TRADE.....82
MONETARY AND FINANCIAL SYSTEM.....86
PUBLIC FINANCE.....96
INDEBTEDNESS.....111
RULES FOR LISTING BONDS ON THE DUBAI FINANCIAL MARKET.....115
TAXATION.....117
SUBSCRIPTION AND SALE.....118
FORM OF FINAL TERMS.....122
GENERAL INFORMATION.....132

RISK FACTORS

The purchase of any Notes may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Base Prospectus.

The Government believes that the factors described below represent the principal risks inherent in investing in Notes, but the inability of the Government to pay any amounts on or in connection with any Note may occur for other reasons and the Government does not represent that the statements below regarding the risks of holding any Note are exhaustive. There may also be other considerations, including some which may not be presently known to the Government or which the Government currently deems immaterial, that may impact any investment in Notes.

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.

Risk factors relating to the Government and United Arab Emirates

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 GDP in 2011. However, any significant negative impact on international oil prices may have an 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, at approximately 1.34:1 in 2011.

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.

Although world oil prices have risen considerably from the lows of around U.S.$40 per barrel witnessed in February 2009, returning to above U.S.$90 per barrel in December 2012 (with prices ranging between approximately U.S.$90 and approximately U.S.$130 per barrel throughout 2011 and 2012 and to the date of this Base Prospectus), oil prices remain volatile and have the potential to adversely affect Dubai's economy in the future. In addition, the credit crisis that occurred 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 during that time period. These events affected Dubai and the UAE in a number of ways. First, the UAE's GDP was adversely affected in 2009 reflecting the significant contributions of the oil and gas sector to the 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- or majority-owned by the Government (**GREs**) 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 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*".

While macroeconomic indicators have since significantly improved (see "*Economy of Dubai*"), there can be no assurance that the economic performance of Dubai or the UAE can or will be sustained in the future. To the extent that economic growth or performance in Dubai or the UAE slows or begins to decline, this could have an adverse effect on the Government.

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

In 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, but not limited to, regular contact and intervention with respect to UAE banks to provide liquidity to the market. While the liquidity situation began to improve in 2010, and continues to improve to date, there is no guarantee that such improvement will continue in the future and any future shortage of liquidity in the UAE and Dubai financial markets could have an adverse effect on the Government.

In addition, the global financial crisis accentuated the credit risks that are normally faced by banks operating in the credit markets. Further market disruption may also be caused by certain countries in the European Union experiencing debt servicing problems throughout 2011 and 2012 and to the date of this Base Prospectus. 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. It should be noted that throughout 2011 and 2012 and to the date of this Base Prospectus there was significant political and social unrest in a number of countries in the MENA region, ranging from public demonstrations, sometimes violent, in countries such as Algeria, Bahrain, Egypt, Lebanon, Tunisia and Yemen, to armed conflict and even civil war, in countries such as Libya and Syria. 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 negative 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 deterioration in the current poor relations between the United States and each of Syria and Iran and an escalation in the Israeli-Palestinian conflict. A further deterioration, and possible conflict, between the United States, certain other governments, and Iran, in particular, has the potential to adversely affect regional security as well as global oil and gas prices. Such a deterioration in relations, should it materialise, could adversely impact the UAE and broader regional security, potentially including the outbreak of a regional conflict.

Contingent Liabilities

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

The information provided on page 111 of this Base Prospectus in relation to the Government's indebtedness as at 31 December 2012 identifies that certain strategic GREs have significant borrowings which are not direct obligations of the Government. If any of these entities are unable to, or are potentially unable to, fulfil their debt obligations, the Government, 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 2012 Article IV Consultation Concluding Statement, the IMF noted that while substantial progress has been made with respect to stemming GRE related risk, including the successful conclusion of certain restructurings, such as that of Dubai World, additional progress continues to be required with respect to the restructurings of other GREs. The IMF also noted that certain GREs remain subject to high refinancing needs and continue to rely on foreign funding. The IMF observed that while such GREs appear to be managing upcoming rollovers on a proactive basis, current uncertainties in the global financial environment continue to present a key risk. The IMF has also recommended taking steps to improve regulation and oversight of GREs, including putting in place procedures to assist in the effective identification, assessment, monitoring and reporting of contingent liabilities arising from GREs and taking steps to strengthen their corporate governance.

To the extent that the Government decides to support any GREs which are unable to fulfil their debt obligations in the future, this could potentially have an adverse effect on the cash flow and financial position of the Government.

Support Fund

The Government 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 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 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's control and any failure or delay by such entities to repay could have an adverse effect on the cash flow and financial position of the Government.

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 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 certain economic statistics for 2011 and 2012 set out in this Base Prospectus are preliminary, and these statistics, as well as those for earlier years, are subject to revision and change.

Enforcement of Liabilities; Waiver of Immunity

If the Government fails to comply with its obligations under the Notes, it may be necessary to bring an action against the Government 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 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the **New York Convention**) was ratified by the UAE on 13 June 2006 and entered into force in the UAE on 19 November 2006. However, the UAE and France had, prior to this (in 1992) ratified the Treaty on Judicial Cooperation, Recognition and Enforcement of Judgments in Civil and Commercial matters, a bilateral treaty for the mutual enforcement of arbitration awards (the **UAE-France Treaty**).

The provisions of the New York Convention are stated not to affect the validity of any bilateral enforcement treaty, nor to deprive a party of any right it may have under such a treaty, in the manner and to the extent allowed by law, or the treaty, in the state where it is sought to be relied on. An arbitration award rendered in Paris should be enforceable in the UAE courts in accordance with the terms of the UAE-France Treaty unless one of the grounds for the refusal of enforcement has been made out. To be eligible for enforcement the award must, amongst other things, be final and appropriate for enforcement in its country of origin (France) and not conflict with public policy as it is understood and applied in the UAE.

Under the terms and conditions of the Notes, any dispute may also be referred to the courts in England who shall have exclusive jurisdiction to settle any disputes arising in connection with the Notes. Where an English judgment has been obtained, there is no assurance that the Issuer has, or would at the relevant time have, assets in the United Kingdom against which judgment could be enforced. If the judgment were to be enforced in Dubai, 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.

As the UAE judicial system is based on a civil code, 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 and its affiliates immunity in respect of its assets. The Government 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 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'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 Government 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 to perform its obligations set out in the Agency Agreement or the Deed of Covenant.

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.

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. Where the Issuer has the right to effect such a conversion, this 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 in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing market rates on its Notes.

Notes issued at a substantial discount or premium

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

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.

Withholding under the 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, 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.

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 an amount 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 and any such change could materially adversely impact the value of any Notes affected by it.

Bearer Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes in bearer form 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 Bearer Note in respect of such holding (should Definitive Bearer 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 or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest Rate Risks

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

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.

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. 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.

Issuer:	Government of Dubai
Description:	Euro Medium Term Note Programme
Size:	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.
Arrangers:	Mitsubishi UFJ Securities International plc Standard Chartered Bank UBS Limited
Dealers:	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.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus. **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*".
Fiscal Agent and Paying Agent:	Deutsche Bank AG, London Branch
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
Method of Issue:	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**).
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be issued in bearer form or registered form. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
Clearing Systems:	Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, any currency agreed between the Issuer and the relevant Dealer.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination:	The 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 €100,000 (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. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
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.
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.
Optional Redemption:	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.
Status of Notes:	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*".
Negative Pledge:	Yes. The terms of the Notes will contain a negative pledge provision as further described in "*Terms and Conditions of the Notes - Negative Pledge*".
Cross Default:	Yes. Threshold: U.S.$50,000,000. See "*Terms and Conditions of the Notes - Events of Default*".
Ratings:	Neither the Programme nor the Issuer is rated by any rating agency.
Early Redemption:	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*".
Withholding Tax:	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*".
Governing Law:	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.
Listing and Admission to Trading:	Application has been made for Notes issued under the Programme to be listed on the DFM. 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.
Selling Restrictions:	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 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 which, as supplemented by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

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 21 January 2013 between the Issuer, Deutsche Bank AG, London Branch as fiscal agent and the other agents named in it and Deutsche Bank Luxembourg S.A. as registrar and transfer agent. The fiscal agent, the paying agents, the calculation agent(s), the registrar and the transfer agent 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), the **Calculation Agent(s)**, the **Registrar** and the **Transfer Agent** (each, an **Agent**). The Noteholders (as defined below), in the case of Bearer Notes, where applicable, the holders of the interest coupons (the **Coupons**) and, in the case of Bearer Notes, where applicable, the holders of talons for further Coupons (the **Talons**) (the **Couponholders**) 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 and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 21 January 2013 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**) or in registered form (**Registered Notes**) as specified in the relevant Final Terms in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown hereon.

Definitive 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, Coupons and Talons shall pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bearer Note, Coupon, Talon or Registered Note 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 or the holder of a Registered Note (as applicable), **holder** means (in relation to a Bearer Note, Coupon or Talon) the bearer of any Bearer Note, Coupon or Talon and (in relation to a Registered Note) the registered holder thereof 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 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 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(f).

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates:* Each Floating 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(f). 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 at the Relevant Time 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.

(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 Relevant Time, subject as provided below, the Calculation Agent shall request the office of each Reference Bank located in the Relevant Financial Centre to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at the Relevant Time 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 at the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the interbank market of the Relevant Financial Centre, 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, at the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Fiscal Agent and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Centre, 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).

(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) **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).

(e) **Margin, Maximum/Minimum Rates of Interest 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 or Redemption Amount is specified hereon, then any Rate of Interest 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.

(f) **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.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption 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 or Optional Redemption 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 or Optional Redemption 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.

(h) **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 the relevant place of presentation 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 the relevant place of presentation 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_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" 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 D1 is greater than 29, in which case D2 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_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" 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_2 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_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" 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 D1 will be 30; and

"D_2" 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_2 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 major banks in the interbank market most closely connected with the Reference Rate selected by the Calculation Agent;

Relevant Financial Centre means the Financial Centre specified as such 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;

Relevant Time means the time specified as such hereon; and

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

(i) **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, 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 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) Final Redemption:

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).

(b) Early Redemption:

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, 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 the minimum period nor more than the maximum period of notice to the Noteholders as 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 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 the minimum period nor more than the maximum period of notice to the Issuer as 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 Coupons and unexchanged Talons in the case of Bearer Notes) with any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), together with a duly completed option exercise notice (**Exercise Notice**) in the form obtainable from any Paying Agent or, as the case may be, the Registrar 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) **Purchases**: The Issuer may at any time purchase Notes (provided that, in the case of Bearer Notes, all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(f) **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 Coupons and all unexchanged Talons in the case of Bearer Notes) to the Fiscal Agent and if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto in the case of Bearer Notes). 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 Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(e)(v)) or Coupons (in the case of interest, save as specified in Condition 6(e)(v)), 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) **Registered Notes**: Payments of principal in respect of each Registered Note will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day before the relevant due date at his address shown in the Register on such date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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

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

(c) **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.

(d) **Appointment of Agents**: The Fiscal Agent, the Paying Agents, the Calculation Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Calculation Agent(s) and the Transfer Agent 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, the Calculation Agent(s), the Registrar or the Transfer Agent 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, (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, (v) a Registrar and (vi) a Transfer Agent.

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.

(e) **Unmatured Coupons and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Bearer Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured 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, unmatured 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 unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) 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.

(f) **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).

(g) **Payment only on a Business Day**: If any date for payment in respect of any Note or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

7 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes 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 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 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 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 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 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 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 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 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 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.

(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, Coupons and Talons

If a Note, 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, 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, or the Registrar (in the case of Registered Notes), 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, 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, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, 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 (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 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.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing.

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 or Coupon 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 or Coupon 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 or Coupon, 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 and the Coupons 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, 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; and

(iii) 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 Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD as its agent for service of process, and undertakes that, in the event of Maples and Calder 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 and the Coupons.

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 Depositary.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the **Common Depositary**) 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 Depositary 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 or holder of such Global Note (as applicable), 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 or holder of such Global Note (as applicable) in respect of each amount so paid.

3 Exchange

3.1 Temporary Bearer Global Notes

Each Temporary Bearer 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 Bearer Global Note or, if so provided in the relevant Final Terms, for Definitive Bearer Notes.

3.2 Permanent Bearer Global Notes

Each Permanent Bearer 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 3.5 below, in part for Definitive Bearer Notes if: (i) the Permanent Bearer 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 Permanent Bearer Global Note is exchanged for Definitive Bearer Notes, such Definitive Bearer Notes shall be issued in Specified Denomination(s) only.

3.3 Partial Exchange of Permanent Bearer Global Notes

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

3.4 Registered Global Notes

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that: (i) the Registered 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) principal in respect of any Notes is not paid when due. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any Alternative Clearing System (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

3.5 Delivery of Notes

On or after any due date for exchange the holder of a Bearer Global Note may surrender such Bearer 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 Bearer Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note, deliver, or procure the delivery of, a Permanent Bearer Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Bearer Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Bearer Global Note to reflect such exchange or (ii) in the case of a Bearer Global Note exchangeable for Definitive Bearer Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Bearer Notes. Definitive Bearer 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 Bearer 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 Bearer Notes.

So long as the Notes are represented by a Temporary Bearer Global Note or a Permanent Bearer Global Note and Euroclear or Clearstream, Luxembourg or an Alternative Clearing System so permit, the Notes will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no Definitive Bearer Notes will be issued with a denomination above €199,000. The option to issue Temporary Bearer Global Notes exchangeable for Definitive Bearer Notes on and after the Exchange Date, will not be used for Notes that have denominations that include a higher integral multiple of a smaller amount.

Whenever a Registered Global Note is to be exchanged for Definitive Registered Notes, the Issuer shall procure that Definitive Registered Notes will be issued in an aggregate nominal amount equal to the nominal amount of the Registered Global Note within five business days of the delivery, by or on behalf of the holder of the Registered Global Note to the Transfer Agent of such information as is required to complete and deliver such Definitive Registered Notes (including, without limitation, the names and addresses of the persons in whose names the Definitive Registered Notes are to be registered and the nominal amount of each such person's holding) against the surrender of the Registered Global Note at the specified office of the Transfer Agent. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

3.6 Exchange Date

Exchange Date means, in relation to a Temporary Bearer Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Bearer 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 Bearer Global Notes, Permanent Bearer Global Notes and Registered 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 Bearer Global Note unless exchange for an interest in a Permanent Bearer Global Note or for Definitive Bearer Notes is improperly withheld or refused. Payments on any Temporary Bearer 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 Bearer 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 such Bearer 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 made will be endorsed on the appropriate schedule to the relevant Bearer Global Note by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made. Condition 6(e)(v) and Condition 7(d) will apply to the Definitive Bearer Notes only.

Payments under the Registered Global Note will be paid to the holder shown on the Register at the close of business on the business day (being for this purpose a day on which Euroclear or Clearstream, Luxembourg or the relevant Alternative Clearing System are open for business) before the relevant payment date. Upon any payment of any amount payable under the Conditions on the Registered Global Note the amount so paid shall be entered by the

Registrar on the Register, which entry shall constitute prima facie evidence that the payment has been made.

Each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System as a holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or an Alternative Clearing System as to the outstanding principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such aggregate principal amount of such Notes for all purposes other than with respect to any payments on the Notes, for which purpose the Holder shall be deemed to be the holder of such aggregate principal amount of the Notes in accordance with and subject to the terms of this Registered Global Note.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a 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 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 Bearer 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 Bearer Global Note. Cancellation of any Note represented by a Registered Global Note will be effected by reduction in the aggregate nominal amount of the Notes in the Register.

4.5 Purchase

Notes represented by a Global Note may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest (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 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 Global Note may be exercised by the holder of the 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 Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent.

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 or registered holder (as applicable) 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 the Deed of Covenant.

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 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.

Whilst any Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder to the Fiscal Agent through Euroclear, Clearstream, Luxembourg, and/or an Alternative Clearing System, as the case may be, in such a manner as the Fiscal Agent and Euroclear and/or Clearstream, Luxembourg, and/or an Alternative Clearing System, as the case may be, may approve for this purpose.

USE OF PROCEEDS

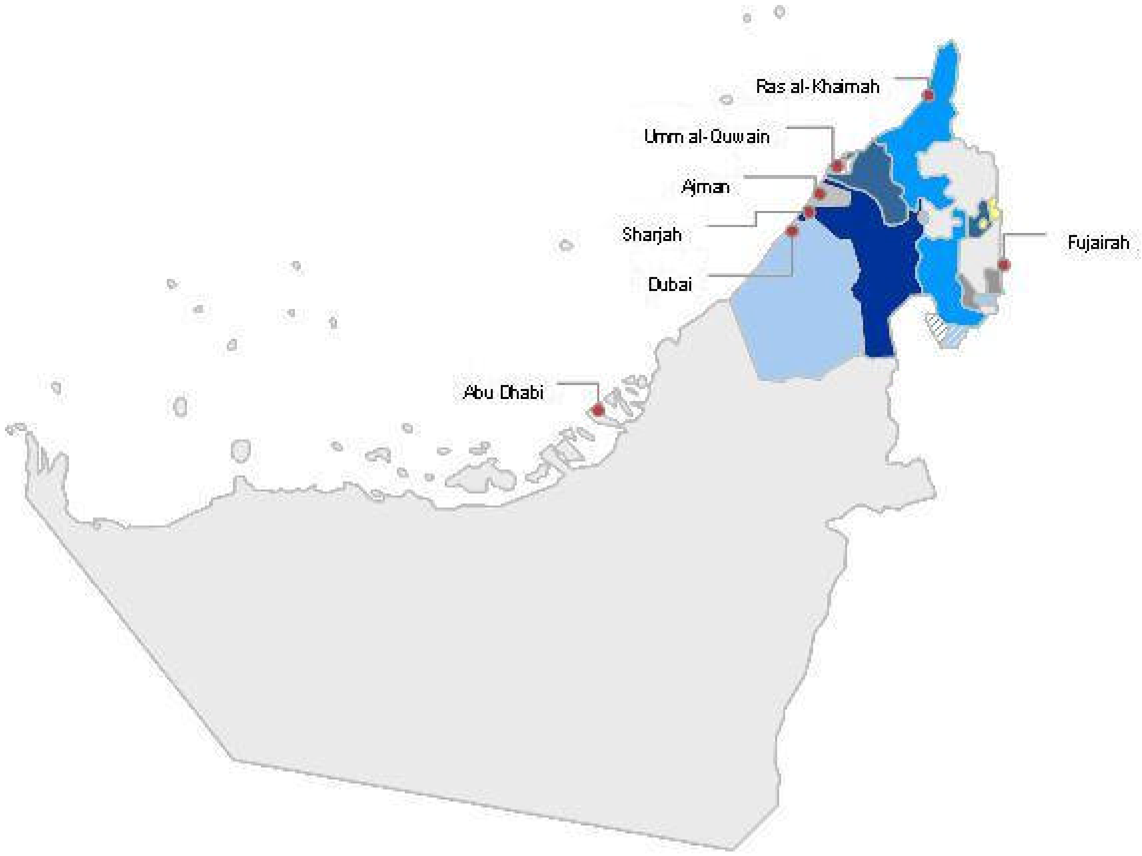
The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for infrastructure, financing and general budgetary purposes.

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^2**) 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^2 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 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 and Vice President 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 2.0 million as at 31 December 2011.

The populations of both the UAE and Dubai have grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the emirates have developed. The following table illustrates this growth since 1985 for the UAE:

Population of UAE:

	1985	1995	2005	2010
Total population...........................	1,379,303	2,411,041	4,106,427	8,264,070[1]
Dubai population..........................	370,788	689,420	1,321,453	1,905,476

Sources: Official UAE Census Data, NBS, Dubai Statistics Centre

Note:

(1) NBS estimate

Population of Dubai:

The following table sets out the estimated population of Dubai as at 31 December in each of the years 2008 to 2011:

	2008	2009	2010	2011
Total population...........................	1,645,973	1,770,978	1,905,476	2,003,170

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 77 per cent. of the population is estimated to be male and 23 per cent. female, reflecting the large male expatriate workforce.

As at 31 December 2011, it was estimated that approximately 15.0 per cent. of the population of Dubai was 19 years of age or under, 29.7 per cent. of the population was between 20 and 29 years of age, 34.6 per cent. of the population was between 30 and 39 years of age, 14.9 per cent. of the population was between 40 and 49 years of age, and 5.8 per cent. of the population was 50 years of age or older. 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 97.2 per cent. in 2011.

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 (the **FNC**) 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 FNC 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 FNC is to discuss the annual budget of the UAE. Although the FNC can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself.

The inaugural FNC elections were held in December 2006, following reforms to enhance public participation in the electoral process. Under these reforms, the Ruler of each emirate selected an electoral college numbering approximately 100 times the number of FNC members for the relevant emirate. The members of each electoral college elected half of the FNC members for their emirate, with the remainder being appointed by the Ruler. On 16, 18 and 20 December 2006, 456 candidates stood for election to the 20 elected positions on the FNC, with a voter turnout across the UAE of 74.4 per cent. of the total electoral college of 6,595.

The most recent FNC elections were held in September 2011, following the issuance of new electoral guidelines by the National Election Commission in May 2011, addressing the methods of selection of representatives to the FNC, 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. On 24 September 2011, 468 candidates stood for election to the 20 elected positions on the FNC, with a voter turnout across the UAE of 35,877, or 27.8 per cent. of an expanded electoral college of 129,274.

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.

The laws and regulations of the Dubai International Financial Centre (the **DIFC**) are applied by the Dubai International Financial Centre Courts (the **DIFC Courts**), which are independent of the Dubai Courts and the UAE Federal Courts, and consist of a Court of First Instance and a Court of Appeal. See "*Economy of Dubai – Dubai International Financial Centre*".

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 of Dubai, Sheikh Mohammed bin Rashid Al Maktoum, who is also the Vice-President and Prime Minister of the 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 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 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 coordination between various Government 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 departments such as the courts, the police, the Health Authority, the Dubai Land Department, 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, while considering the requirements and strategies of each particular department. The Executive Council also 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 licensed by the DED. The DED also helps formulate the Government'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. All revenues of the Government are collected within the DoF and all Government 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 ICD is the principal investment entity of the Government. 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's investment portfolio, adding value through the implementation of best-practice corporate governance. After initial capitalisation by the Government, ICD is now self-funding and makes a contribution to the budget of the Government. 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 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 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'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 significantly impacted the Government's economic development plans and, as a result, the government has reassessed the stated aims of the DSP 2015 in the area of economic development. The DED, which was given responsibility for revision of these aims, has prepared a revised Medium Term Economic Plan to be implemented through to 2015 (the **Medium Term Economic Plan**). The stated aims of the DSP 2015 in all other areas remain unchanged.

Economic Development

The DSP 2015 envisages that future economic growth will be focused 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 DSP 2015 identifies seven enabling factors that need 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 cost of living in the emirate;

- *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.

Following the global economic crisis, the Government chose to reassess the economic growth and productivity goals set out in the DSP 2015. As part of this reassessment, the Government has prepared the Medium Term Economic Plan. The specific proposals and goals that have been included in the Medium Term Economic Plan are based on an evaluation which was performed on the growth and performance of Dubai's economy during the period from 2000 to 2010. This review includes a macroeconomic and microeconomic analysis, including an analysis of the various sectors of Dubai's economy during this time, as well as the identification of broad economic development trends such as the importance of increased trade relations with emerging Asian economies such as India and China, the rapid growth in Dubai's labour force since 2000, with total domestic employment growing by 251 per cent. between 2001 and 2009, and the increased importance of Dubai's free trade zones.

The Medium Term Economic Plan is broadly envisioned to emphasise three goals. First, it will focus on reinforcing and growing Dubai's already established position as a regional and global hub for travel, tourism, trade, transportation and logistics services. Second, it will promote the expansion of Dubai's knowledge based economy by creating a regulatory and economic environment conducive for growing the financial and professional services industries, by attracting international companies to establish their headquarters in Dubai and by further establishing Dubai as a regional centre for the construction services industry. Third, it will continue to encourage major Dubai-based companies to expand globally, thereby deepening Dubai's interconnectedness with the global economy. Economic sectors such as retail and trade, transportation and logistics, manufacturing, tourism and financial services are therefore expected to remain important drivers of Dubai's economic growth in the future. The plan envisages average real GDP growth of 4.6 per cent. per annum (ranging between 4.1 per cent. and 5.4 per cent.) for the period between 2012 and 2015. The key policy areas which will be under focus to achieve the Medium Term Economic Plan are as follows:

- fiscal consolidation and budgetary reforms;

- improving regulatory framework;

- streamlining of governmental processes;

- improving the efficiency of the labour market;

- promoting job opportunities for nationals in the private sector;
- deepening and strengthening the financial system;
- consolidation of the real estate and construction sectors;
- fostering trade;
- sustaining Dubai as the leading transportation and logistics hub in the region;
- helping manufacturing towards further development;
- maintaining a leading position as a global luxury tourism destination; and
- strengthening data systems.

Each of the above key policy areas have been conveyed to, and are being undertaken by, the relevant Government departments which will each formulate a plan on how to achieve them within the timeframe envisaged by the Medium Term Economic Plan.

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 coordination 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 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 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's ability to continuously provide world-class services. The DSP 2015 envisages that the Government 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'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 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 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 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 and 4.3 per cent. in 2011 after the effects of the global economic recession led to a decrease 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 mining, quarrying and oil and gas sector accounting for 1.5 per cent. of real GDP in 2011.

Reflecting the emirate's strategic geographic location, rising levels of international trade and the Government'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 30.8 per cent. of Dubai's real GDP in 2011. The wholesale and retail trade and repairing services sector grew by 5.8 per cent. in real terms in 2011 and accounted for approximately 30.8 per cent. of Dubai's real GDP growth in 2011.

Other significant growth sectors for the emirate in 2011 were the manufacturing; restaurants and hotels; and electricity and water. The manufacturing sector grew by 11.7 per cent. in real terms in 2011 as a result of the increased ability of the sector to export in 2011 compared to 2010 as its principal trading partners began to recover from the global financial crisis. The restaurants and hotels sector grew by 14.7 per cent. in real terms in 2011 as a result of increased tourism and higher revenues in the hotel sector. The electricity and water sector grew by 32.3 per cent. in real terms in 2011 as a result of increased generation and consumption of electricity and water due to an increase in population size (see "*Overview of the Emirate of Dubai – Population*"). In addition, each of these sectors has benefitted from the Government'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 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 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 2010 and 2011, with the real estate and construction sectors declining in real terms in 2010 by 2.6 per cent. and 14.7 per cent., respectively, and in 2011 by 2.7 per cent. and 5.7 per cent., respectively.

Gross Domestic Product

The following table sets out Dubai's and the UAE's nominal GDP and nominal GDP growth rates in each of the years 2008 to 2011.

	2008	2009	2010	2011
UAE Nominal GDP *(AED millions)*	1,154,820	953,871	1,042,682	1,243,839
UAE Nominal GDP Growth Rates (*per cent.*)...	21.9	(17.4)	9.3	19.3
Dubai Nominal GDP *(AED millions)*...............	342,900	294,157	303,595[(1)]	315,705
Dubai Nominal GDP Growth Rates (*per cent.*) .	10.6	(14.2)	3.2	4.0

Source: Dubai Statistics Centre, NBS

Note:

(1) Does not include Non-Profit Organisations sector.

The following table sets out Dubai's and the UAE's real GDP and real GDP growth rates in each of the years 2008 to 2011.

	2008	2009	2010	2011
UAE Real GDP *(AED millions)*.......................	977,430	930,475	942,397	981,659
UAE Real GDP Growth Rates (*per cent.*).........	3.2	(4.8)	1.3	4.2
Dubai Real GDP *(AED millions)*	293,752	286,617	293,601[(1)]	306,171
Dubai Real GDP Growth Rates (*per cent.*)........	3.2	(2.4)	2.4	4.3

Source: Dubai Statistics Centre, NBS

Note:

(1) Does not include Non-Profit Organisations sector.

The real GDP of Dubai in 2011 equalled 31.2 per cent. of the real GDP of the UAE in the same year. In 2010 and 2009, the equivalent proportions were 31.2 per cent. and 30.8 per cent., respectively.

The NBS has estimated that real GDP in the UAE for 2011 was AED 981.7 billion, representing a real GDP growth rate of 4.2 per cent., reflecting the general economic recovery in the wake of the global economic crisis. In 2010, the NBS estimated that real GDP in the UAE was AED 942.4 billion, representing a real GDP growth rate of 1.3 per cent.

Dubai's real GDP increased by 3.2 per cent. in 2008, decreased by 2.4 per cent. in 2009, increased by 2.4 per cent. in 2010 and increased by 4.3 per cent. in 2011, reaching AED 306.2 billion in 2011. Dubai's real GDP per capita in 2011 was approximately U.S.$41,618, based on an assumed population of 2,003,170 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 real GDP in 2011, with the largest sector being the wholesale and retail trade and repairing services sector which contributed AED 94.1 billion, or 30.8 per cent., of the emirate's real GDP. Other significant contributors to real GDP in 2011 include the manufacturing sector, which contributed AED 43.2 billion, or 14.1 per cent., to real GDP; the transport, storage and communications sector, which contributed AED 42.7 billion, or 13.9 per cent., to real GDP; the real estate and business services sector, which contributed AED 39.2 billion, or 12.8 per cent., to real GDP; the financial corporations sector, which contributed AED 34.6 billion, or 11.3 per cent., to real GDP and the construction sector, which contributed AED 25.9 billion, or 8.5 per cent., to real GDP. Together, these six sectors contributed 91.4 per cent. of total real GDP in 2011. By contrast, the government services sector contributed 5.6 per cent., the restaurants and hotels sector contributed 4.0 per cent. and the mining, quarrying and oil and gas sector contributed 1.5 per cent. to real GDP in 2011.

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 19.1 per cent. between 2008 and 2011, the electricity and water sector, with a compound annual GDP growth rate of 14.4 per cent. between

2008 and 2011, the manufacturing sector, with a compound annual GDP growth rate of 9.3 per cent. between 2008 and 2011, and the restaurants and hotels sector, with a compound annual GDP growth rate of 8.4 per cent. from 2008 to 2011.

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, in each of the years 2008 to 2011:

	2008			2009		
	Amount	**Contribution (per cent.)**	**Growth (per cent.)**	**Amount**	**Contribution (per cent.)**	**Growth (per cent.)**
	(in millions of AED, except percentages)					
Wholesale, Retail Trade & Repairing Services	85,932	29.3	1.3	85,158	29.7	(0.9)
Manufacturing	33,127	11.3	10.1	35,181	12.3	6.2
Transport, Storage & Communications	35,423	12.1	(0.9)	38,044	13.3	7.4
Real Estate & Business Services	51,563	17.6	1.1	41,373	14.4	(19.8)
Financial Corporations	32,375	11.0	7.5	33,540	11.7	3.6
Construction	40,017	13.7	18.2	32,214	11.2	(19.5)
Government Services	10,165	3.5	14.1	15,198	5.3	49.5
Restaurants & Hotels	9,650	3.3	0.6	10,094	3.5	4.6
Social & Personal Services	5,214	1.8	11.2	5,845	2.0	12.1
Mining, Quarrying, Oil & Gas	5,423	1.8	0.0	5,374	1.9	(0.9)
Electricity & Water	3,783	1.3	36.5	4,000	1.4	5.7
Domestic Services of Households	1,063	0.4	2.1	1,199	0.4	12.8
Non-Profit Organisations	765	0.3	(5.8)	893	0.3	16.7
Agriculture, Livestock & Fishing	418	0.1	6.1	431	0.2	3.1
Less: Imputed Bank Services	(21,166)	(7.2)	43.5	(21,928)	(7.7)	3.6
Total Real GDP	**293,752**	**100.0**	**3.2**	**286,617**	**100.0**	**(2.4)**

	2010[(1)]			2011		
	Amount	**Contribution (per cent.)**	**Growth (per cent.)**	**Amount**	**Contribution (per cent.)**	**Growth (per cent.)**
	(in millions of AED, except percentages)					
Wholesale, Retail Trade & Repairing Services	89,002	30.3	4.5	94,135	30.8	5.8
Manufacturing	38,719	13.2	10.1	43,238	14.1	11.7
Transport, Storage & Communications	41,542	14.1	9.2	42,672	13.9	2.7
Real Estate & Business Services	40,286	13.7	(2.6)	39,219	12.8	(2.7)
Financial Corporations	33,115	11.3	(1.3)	34,608	11.3	4.5
Construction	27,494	9.4	(14.7)	25,923	8.5	(5.7)
Government Services	16,085	5.5	5.8	17,187	5.6	6.9
Restaurants & Hotels	10,729	3.7	6.3	12,303	4.0	14.7
Social & Personal Services	5,894	2.0	0.8	6,134	2.0	4.1
Mining, Quarrying, Oil & Gas	5,159	1.8	(4.0)	4,681	1.5	(9.3)
Electricity & Water	4,283	1.5	7.1	5,668	1.9	32.3
Domestic Services of Households	1,137	0.4	(5.2)	1,121	0.4	(1.4)
Non-Profit Organisations	–	–	–			
Agriculture, Livestock & Fishing	434	0.1	0.7	437	0.1	0.7
Less: Imputed Bank Services	(20,276)	(6.9)	(7.5)	(21,157)	(6.9)	4.4
Total Real GDP	**293,601**	**100.0**	**2.4**	**306,171**	**100.0**	**4.3**

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 94.1 billion, or 30.8 per cent., of Dubai's GDP in 2011, making it the largest contributing sector to the emirate's economy. In real terms, this sector experienced growth of 1.3 per cent. in 2008, a fall of 0.9 per cent. in 2009 and growth of 4.5 per cent. in 2010 and 5.8 per cent. in 2011. The wholesale and retail trade and repairing services sector's growth in 2011 was largely enabled by increased economic activity and imports, as this sector depends largely on imports.

The following table sets out the contribution to Dubai's real GDP of the wholesale and retail trade and repairing services sector for each of the years 2008 to 2011.

	2008	**2009**	**2010**	**2011**
	(in millions of AED)			
Wholesale and Retail Trade and Repairing Services Real GDP....	85,932	85,158	89,002	94,135
Percentage of Total Real GDP..	29.3	29.7	30.3	30.8

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, such as the Dubai Mall and the Mall of the Emirates, 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. In 2011, the Dubai Mall received more than 54 million visitors, approximately 14.9 per cent. higher than the 47 million visitors that the Dubai Mall received in 2010. Retail sales across the various outlets in the Dubai Mall also reported average growth of approximately 35.0 per cent. of sales by value as compared with 2010.

Manufacturing

The manufacturing sector accounted for AED 43.2 billion, or 14.1 per cent., of GDP in 2011. This sector demonstrated growth of 10.1 per cent., 6.2 per cent., 10.1 per cent. and 11.7 per cent. in real terms in 2008, 2009, 2010 and 2011, respectively. The manufacturing sector grew principally due to increased demand for exports from Dubai, particularly industrial exports, and increased activity in the Jebel Ali Free Zone. See "*Infrastructure – Ports*".

The following table sets out the contribution to Dubai's real GDP of the manufacturing sector in each of the years 2008 to 2011.

	2008	**2009**	**2010**	**2011**
	(in millions of AED)			
Manufacturing Real GDP...	33,127	35,181	38,719	43,238
Percentage of Total Real GDP..	11.3	12.3	13.2	14.1

Sources: Dubai Statistics Centre

According to the Dubai Chamber of Commerce and Industry, 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, also known as Dubiotech, which targets the life sciences industry and currently has approximately 53 registered companies operating across the bio-technology sector, and the Dubai Techno Park, which is a Government technology initiative.

In addition, to help expand the manufacturing sector in Dubai, the Government established the Dubai Investments Park in 1998, a 2,300-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 has a shareholding. See "*Public Finance – Major ICD Investments*".

Major industrial companies operating in Dubai include Dubai Aerospace Enterprise, 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. Another industrial company operating in Dubai is Dubai Cable Company Limited (**DUCAB**), an industrial company which is jointly owned by the governments of Dubai and Abu Dhabi and which manufactures over 110,000 tonnes per annum of low and medium voltage power cables, components and accessories for industrial applications. DUCAB has entered into a joint venture with DEWA and the Abu Dhabi Water & Electricity Authority (**ADWEA**) known as DUCAB-HV, which manufactures high voltage cables from a dedicated facility which began operations in November 2011. See "*Public Finance – Major ICD Investments*".

Transport, Storage and Communications

The transport, storage and communications sector accounted for AED 42.7 billion, or 13.9 per cent., of GDP in 2011. This sector demonstrated a fall of 0.9 per cent. and growth of 7.4 per cent., 9.2 per cent. and 2.7 per cent. in real terms in 2008, 2009, 2010 and 2011, 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 Red Line and the Green Line of the Dubai Metro, in September 2009 and September 2011 respectively, has contributed to this growth.

The following table sets out the contribution to Dubai's real GDP of the transport, storage and communications sector in each of the years 2008 to 2011.

	2008	**2009**	**2010**	**2011**
	(in millions of AED)			
Transport, Storage and Communications Real GDP	35,423	38,044	41,542	42,672
Percentage of Total Real GDP	12.1	13.3	14.1	13.9

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 39.2 billion, or 12.8 per cent., of total real GDP in 2011. This sector demonstrated decreases of 19.8 per cent., 2.6 per cent. and 2.7 per cent. in 2009, 2010 and 2011, respectively, having grown by 1.1 per cent. in 2008.

The construction sector accounted for AED 25.9 billion and 8.5 per cent. of GDP in 2011. This sector demonstrated decreases of 19.5 per cent., 14.7 per cent. and 5.7 per cent. in 2009, 2010 and 2011, respectively, having grown by 18.2 per cent. in 2008.

The following table sets out the contributions to Dubai's real GDP of the real estate and business services and construction sectors in each of the years 2008 to 2011.

	2008	**2009**	**2010**	**2011**
		(in millions of AED)		
Real Estate and Business Services Real GDP	51,563	41,373	40,286	39,219
Percentage of Total Real GDP	17.6	14.4	13.7	12.8
Construction Real GDP	40,017	32,214	27,494	25,923
Percentage of Total Real GDP	13.6	11.2	9.4	8.5

Source: Dubai Statistics Centre

Real Estate

No breakdown of the real estate sector by type of property is officially published. Since the price correction witnessed in the latter half of 2008 and 2009, prices have stabilised in selected developments and, in certain instances, increased marginally. RERA, which was established in 2007 as the regulatory arm of the Dubai Land Department, assists developers, contractors and investors in resolving outstanding disputes related to real estate in Dubai and has taken proactive steps to strengthen the Dubai real estate market.

The current market situation has led to the re-evaluation of a number of real estate projects and delays in many projects. 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 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 as at 31 December 2012, 187 projects have been completed since the beginning of 2009, 253 projects are on hold, 232 projects are expected to be completed in due course and 1 project has not yet commenced. Since the price corrections which began in the middle of 2008, demand has principally originated from end-users.

According to RERA, there were 596 registered developers in Dubai and 852 registered brokers in Dubai as at 31 March 2012. The principal developers in Dubai are all owned (wholly or partially) by the Government and/or the ruling family of Dubai. These include Emaar Properties PJSC (**Emaar**), which is 29.4 per cent. owned by ICD; Nakheel PJSC, which is 100 per cent. owned by the Dubai Financial Support Fund; 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 indirect shareholding.

According to the Dubai Land Department, in 2011 there were approximately AED 94 billion of villa-related property transactions and approximately AED 43 billion of apartment-related property transactions. In 2011, 9.0 per cent. of all real estate transactions were conducted by first time real estate investors, with the highest number of such foreign property investors by value being from India, followed by Pakistan, the United Kingdom, Iran and Russia. According to the Dubai Land Department, expectations of attractive rental yields largely account for such investment.

The following table sets out the number of real estate sale transactions in Dubai and the total value of such transactions in each of the years 2008 to 2011.

	2008	**2009**	**2010**	**2011**
Total Real Estate Sale Transactions	21,978	30,962	26,335	23,906
Total Value of Real Estate Sale Transactions (in millions of AED)...............................	260,733	152,927	119,477	140,262

Source: Dubai Statistics Centre

For the year ended 31 December 2011, the Dubai Land Department reported 23,906 sale transactions, compared to 26,335 sale transactions in 2010, a decrease of approximately 9.2 per cent., reflecting the collection in 2010 of one-off revenue resulting from the passing of a law which took effect in 2010 that enabled nationals of GCC countries to convert property that was granted to them to freehold status by paying to the Government a one-time fixed percentage fee based on the value of the relevant property. During this same period, the total value of real estate transactions increased by 17.4 per cent. In 2011 there were approximately AED 86.3 billion of mortgage-related transactions, representing an increase of 33.5 per cent. compared to approximately AED 57.4 billion of such transactions in 2010.

As at 31 December 2012, 253 registered projects had been classified by RERA as being on hold. In April 2009, in response to the weakening condition of the real estate market at that time, the Government took steps to stabilise the real estate sector, including introducing a new law 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 the Dubai Land Department 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 (see "*Public Finance – Nakheel Restructuring*").

The Government also launched a new initiative in 2010 to certify projects called "*Tayseer*". Under this programme, projects are scrutinised, approved and certified by the Dubai Land Department based on certain due diligence criteria. As at 31 March 2012, a total of 154 projects had been reviewed under the *Tayseer* programme, of which 40 projects qualified under the required 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 and thereby facilitate financing in the freehold real estate market. 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.

The Government also launched a real estate development plan in September 2011 called "*Tanmia*". Pursuant to the *Tanmia* program, the Dubai Land Department will select qualified off-plan projects that are on hold and offer them for sale or lease to investors if such projects meet the selection criteria of the Dubai Land Department, including, for example, that the project is located in an area where the surrounding infrastructure has been adequately developed. In 2012, *Tanmia* is expected to include 33 projects, two of which have been launched. The initiative is designed to increase investor confidence in those projects which the Dubai Land Department has identified as qualifying for the *Tanmia* program. Each of the 253 registered projects that were on hold as at 31 December 2012 are expected to qualify for either the *Tayseer* or the *Tanmia* programmes.

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 following table sets out the new licences (not including renewals of existing licences) granted by the DED for the three largest categories of business licence in each of the years 2008 to 2011:

	2008	**2009**	**2010**	**2011**
Commercial licences	12,206	8,827	10,749	10,528
Professional licences	2,425	2,562	3,176	3,355
Industrial licences	203	137	176	188

Sources: Dubai Statistics Centre

The DED issued a total of 14,360 business licences during 2011, an increase of 3.8 per cent. from the 13,817 business licences issued in 2010. In March 2012, in order to facilitate the business registration process, the DED introduced new “fast-track” business licences, allowing the DED to process and issue 120-day licences immediately to business owners upon presentation of their work history and rental contract.

Financial Corporations

The financial corporations sector accounted for AED 34.6 billion, or 11.3 per cent., of GDP in 2011. This sector demonstrated growth of 7.5 per cent. and 3.6 per cent. in real terms in 2008 and 2009 respectively, decline by 1.3 per cent. in real terms in 2010 and growth of 4.5 per cent. in real terms in 2011.

The following table sets out the contribution to Dubai’s real GDP of the financial corporations sector in each of the years 2008 to 2011.

	2008	**2009**	**2010**	**2011**
	(in millions of AED)			
Financial Corporations Real GDP	32,375	33,540	33,115	34,608
Percentage of Total Real GDP	11.0	11.7	11.3	11.3

Sources: Dubai Statistics Centre

Dubai is an important financial centre in the Arabian Gulf region. According to the UAE Central Bank, as at 31 December 2011, there were 791 national bank branches (inclusive of head offices) in the UAE, an increase from 755 as at 31 December 2010. As at 31 December 2011, 311 bank branches, or 39 per cent., were located in Dubai with 267 located in Abu Dhabi (including Al Ain), 111 located in Sharjah and fewer than 40 branches in each of the other emirates. As at 31 December 2011, there were 111 foreign bank branches (inclusive of head offices) in the UAE, of which 47 branches, or 42 per cent., were located in Dubai. As at 31 December 2011, there were 110 representative offices of foreign banks in the UAE, of which 67 representative offices, or 61 per cent., 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 nearly 50 per cent. of the distribution of licensed moneychangers' head offices and branches as at 31 December 2011 with 370 out of the 747 in total in the UAE.

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 17.2 billion, or 5.6 per cent., of GDP in 2011. This sector demonstrated growth of 14.1 per cent., 49.5 per cent., 5.8 per cent. and 6.9 per cent. in real terms in 2008, 2009, 2010 and 2011, respectively.

The following table sets out the contribution to Dubai's real GDP of the government services sector in each of the years 2008 to 2011.

	2008	**2009**	**2010**	**2011**
		(in millions of AED)		
Government Services Real GDP.................	10,165	15,198	16,085	17,187
Percentage of Total Real GDP....................	3.5	5.3	5.5	5.6

Sources: Dubai Statistics Centre

The government services sector comprises the various departments of the Government. The growth in the government services sector from 2008 until 2011 is due to both an increase in the number of government employees and an increase in development expenditure incurred by the Government in accordance with the Dubai Strategic Plan 2015. In addition, the Government 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 12.3 per cent. in 2008, 1.6 per cent. in 2009, 0.9 per cent. in 2010 and 0.9 per cent. in 2011. Continuing declines in rents and real estate prices between 2009 and 2010 led to a further decrease in the rate of inflation from 1.6 per cent. in 2009 to 0.9 per cent. in 2010. In 2011 and for the first eleven months of 2012, inflation remained steady at 0.9 per cent. and 1.0 per cent., respectively, mainly reflecting a stabilisation in rents and real estate prices during that period.

The following table 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 2009 to 2011 and the first eleven months of 2012.

	2009	**2010**	**2011**	**2012[2]**
CPI Index[1]...	114.0	115.0	116.0	117.2
CPI Inflation	1.6	0.9	0.9	1.0

Source: NBS

Note:

(1) For 2009 through 2012, base year 2007 = 100.

(2) First eleven months of 2012 only.

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, 0.6 per cent. in 2010 and 0.5 per cent. in 2011. For the first eleven months of 2012 there was negative inflation of 1.7 per cent. This negative inflation rate is principally attributable to a decline in rental rates in the real estate sector in 2012, and took place notwithstanding an increase in the cost of food and non-alcoholic beverages and transportation in the same period.

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 3.3 per cent., 5.2 per cent. and 5.4 per cent. respectively in 2011, and minus 6.0 per cent., 3.2 per cent. and 1.4 per cent. respectively during the first eleven months of 2012.

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 following table sets out details of the Dubai CPI in 2011 and the rate of inflation in Dubai for each of the years 2009 to 2011 and the first eleven months of 2012.

Expenditure Groups	**Weight**	**CPI 2012(1)**	**Inflation (per cent.) 2009**	**Inflation (per cent.) 2010**	**Inflation (per cent.) 2011**	**Inflation (per cent.) 2012(1)**
		2007 =100				
General Index Number	100.0	114.5	4.0	0.6	0.5	(1.7)
Housing, Water, Electricity, Gas, and Fuel	43.7	97.1	2.4	(1.3)	(3.3)	(6.0)
Food and Non-Alcoholic Beverages	11.1	136.8	2.2	1.9	5.2	3.2
Transportation	9.1	129.6	4.4	6.6	5.4	1.4
Miscellaneous Goods and Services	6.2	130.2	3.7	2.1	2.6	0.6
Communications	6.0	91.3	(0.2)	(10.6)	0.7	(0.1)
Clothing and Footwear	5.5	127.9	9.9	0.4	(1.8)	(1.2)
Restaurants and Hotels	5.5	142.4	7.4	1.4	4.5	(0.3)
Leisure and Culture	4.2	106.4	2.6	0.5	0.3	0.1
Education	4.1	161.7	18.6	9.0	2.9	2.6
Furniture and Furnishings, Household Items and Repairing	3.3	124.4	3.3	1.1	3.5	1.1
Healthcare	1.1	120.3	5.3	3.4	3.4	0.2
Alcoholic Beverages and Tobacco	0.2	115.6	5.6	0.3	1.5	1.7

Sources: Dubai Statistics Centre

Note:

(3) First eleven months of 2012 only.

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 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 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 following table sets out the number of people employed in the public and private sectors in Dubai in 2005:

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

Source: Official UAE Census Data

Based on data collected by the Dubai Statistics Centre, the number of people employed in Dubai in 2011 was 1,331,581, a marginal decrease of 1.6 per cent. since 2009 when the number of people employed was 1,352,248. No employment figures for 2010 are currently available. According to the Dubai Statistics Centre, unemployment in Dubai is low with an unemployment rate of 0.4 per cent. in 2011. From 2009 to 2010, the number of federal government employees in Dubai increased by 1.7 per cent. and the number of local government employees in Dubai increased by 4.4 per cent.

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.

In 2011, the total length of roads in Dubai was 11,798 km, an increase of 5.2 per cent. from 2010. The following table sets out the total length of roads in Dubai as at 31 December in each of the years 2008 to 2011:

Dubai Roads by Length	**2008**	**2009**	**2010**	**2011**
Total length of roads (in km)	9,916	10,809	11,208	11,798

Source: RTA

In January 2013, the RTA announced the completion of key phases of the major widening and improvement project for the Al Khail Road, a major road running roughly parallel to the Sheikh Zayed Road, connecting Dubai to Hatta. The project is divided into six phases and the total project cost is expected to be over AED 1.9 billion. In March 2012, the First Interchange on the Sheikh Zayed Road was fully completed and opened to traffic, with a capacity of more than 16,000 vehicles per hour. The First Interchange includes traverse bridges across Sheikh Zayed Road, linking Burj Khalifa and Dubai Financial Centre with Sheikh Zayed Road, Financial Centre Road and Al Safa Road. The total cost of the project was around AED 617 million.

Since 2005, the RTA has overseen the construction and commencement of commercial operations of the Dubai Metro (see "*Dubai Metro and Al Sufouh Tramway*" below) 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 2011, approximately 107.4 million passengers travelled using the available 888 buses operated by the RTA, a decrease of 2.7 per cent. in passenger volume from 2010. The number of bus routes has decreased from 106 in 2009, to 93 in 2010, to 90 in 2011, principally due to the rationalisation of existing bus routes to coordinate with the availability of the Dubai Metro and other modes of public transport.

The following table sets out the use of bus services in Dubai in each of the years 2008 to 2011:

Dubai Bus Services	**2008**	**2009**	**2010**	**2011**
Number of operating buses	645	999	851	888
Bus routes	74	106	93	90
Number of bus passenger trips (in thousands)	94,334	89,013	110,401	107,406

Source: Dubai Statistics Centre

A common fare structure applies to the Dubai Metro and buses. The RTA has introduced an integrated card system, the NOL Smart Card, that enables passengers to travel on trains, buses and water transport, as well as use associated parking areas. The collection of NOL Smart Card usage fees increased by approximately 43 per cent. from 2010 to 2011. 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's development expenditure (see "*Public Finance*") in the period since 2008 has been spent on transport projects, including the Dubai Metro.

Dubai Metro and Al Sufouh Tramway

The Dubai Metro, the total cost of which is estimated at AED 29.6 billion, was officially launched in September 2009. The Dubai Metro currently consists of two lines, the Red Line, which was opened at launch, and the Green Line, which was opened in September 2011. The Dubai Metro is intended 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.

Since its launch, during 2009, 2010 and 2011 the Dubai Metro transported approximately 6.9 million, 38.9 million and 69.0 million passengers, respectively. Based on data collected by the RTA, in December 2012, the Dubai Metro carried approximately 350,000 passengers a day on average. As at 31 December 2012, the Red Line was 52.1 km in length, with 28 out of 29 stations operational and the Green Line was 22.5 km in length, with 18 out of 20 stations operational. The aggregate length of the Red and Green Lines is around 74.6 km with 49 stations, 46 of which were operational as at 31 December 2012.

The following table sets out the expansion and use of the Dubai Metro in each of the years 2009 to 2011:

Dubai Metro	**2009**	**2010**	**2011**
Line length – Red Line (in km)..	39.7	41.4	52.1
Number of passenger trips – Red Line (in thousands)	6,892	38,887	60,025
Number of stations – Red Line (in km)	10	26	27
Line length – Green Line (in km)	–	–	19.9
Number of passenger trips – Green Line (in thousands)	–	–	8,983
Number of stations – Green Line (in km)	–	–	12

Source: Dubai Statistics Centre

With respect to the cost of the Dubai Metro project, approximately AED 4.87 billion remained outstanding as at 31 December 2012. This amount is currently being repaid by the RTA in equal monthly instalments to contractors over a period of seven years ending in September 2018. The Government has provided a guarantee of the payment obligations of the RTA in respect of this amount.

The Al Sufouh Tramway is an above-ground, light railway line, construction of which commenced in 2008 and is expected to be completed in 2014 at a total project cost of AED 3.5 billion. The project has been partially financed through a AED 2.4 billion dual currency facility raised in February 2011. Phase 1 of the project includes construction of 9.5 km of track, connecting Dubai Marina to the Mall of the Emirates and will include nine passenger stations and eight trains. The Al Sufouh Tramway will pass in a path parallel to the Dubai Metro Red Line and will link up with the Dubai Metro.

Ports

Dubai has two major ports, the Jebel Ali Port and Port Rashid, both of which are operated by DP World. DP World is a subsidiary of Dubai World and was formed in September 2005 with the integration of the terminal operations of the Dubai Ports Authority, which was responsible for domestic port operations, and Dubai Ports International, which oversaw the expansion of Dubai's international port operations. Dubai's ports together ranked ninth globally in 2011 in terms of total capacity, according to data published in August 2012 by the World Shipping Council.

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 13.0 million TEU in 2011, an increase of 12.4 per cent. from 11.6 million TEU in 2010. In September 2011 DP World completed the construction of a 400 metre quay extension which increased overall capacity at Jebel Ali Port by 1 million TEU to 15 million TEU. In December 2011, DP World announced its intention to invest around U.S.$850 million over three years to expand the Jebel Ali Port, which, when completed, will add additional capacity of 4 million TEU per year, resulting in an increase in total capacity to 19 million TEU per year by 2014.

The following table sets out shipping container volumes handled at the Jebel Ali Port and Port Rashid in each of the years 2008 to 2011:

Dubai Shipping Containers	**2008**	**2009**	**2010**	**2011**
Inbound	2,417,836	2,022,085	2,175,963	2,214,729
Outbound	2,431,588	2,082,024	2,168,549	2,321,862
Trans-shipments	6,772,513	6,809,402	6,844,941	8,232,009
Restows	205,354	210,547	386,322	244,465
Total	**11,827,291**	**11,124,058**	**11,575,775**	**13,013,065**

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-owned Dubai Airports Company (**DAC**). Dubai International Airport covers over 25 km^2 and was ranked fourth globally in terms of total international passenger traffic and fourth globally in terms of international freight traffic handled over the 12-month period ending July 2012, according to data published by Airports Council International, an airports association which has 580 members operating over 1,650 airports in 179 countries and territories.

The number of passengers registered at Dubai International Airport 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 51.0 million passengers in 2011, an increase of 8.0 per cent. over the 47.2 million passengers handled in 2010. The total volume of cargo handled at the airport during 2011 was 2.0 million tonnes, a decrease of 3.6 per cent. from 2010, principally due to a drop in exports, most notably from Asia, principally due to economic uncertainty in Europe and the United States during 2011.

During 2011, Dubai International Airport handled an average of 893 aircraft and 139,671 passengers per day. Dubai International Airport is used by over 150 airlines, connecting to over 200 destinations in the world and currently includes three terminals, three concourses, two runways and a number of support facilities. It has current annual passenger capacity of 75 million, increased from 60 million following the opening of the A380-dedicated third concourse (forming part of Terminal 3) in January 2013. Passenger traffic during the first eleven months of 2012 was 52.4 million, an increase of 13.1 per cent. compared to 46.3 million during the first eleven months of 2011. Further, during the first eleven months of 2012 Dubai International Airport handled a total of 2.08 million tonnes of freight, up 3.6 per cent. compared to 2.00 million tonnes during the first eleven months of 2011.

The following table sets out aircraft and passenger movement and cargo volumes at Dubai International Airport in each of the years 2008 to 2011:

	2008	2009	2010	2011
Aircraft Movements (in thousands).............	251	274	300	326
Passengers Handled (in millions)................	37.4	40.9	47.2	51.0
Cargo volume handled (in tons)..................	1,731,808	1,829,257	2,070,040	1,995,353

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 forms the foundation of the Government's strategy to develop an integrated regional logistics hub, known as "Dubai World Central", and will be linked to Jebel Ali Port. The Government has borrowed funds to part-finance the expansion and construction of the emirate's airports (see "*Indebtedness*").

During its first full calendar year of operations in 2011, 36 airlines operated in the Al Maktoum International Airport, predominantly as cargo charter operations, handling 89,729 tons of air freight. During 2011, 8,198 aircraft movements were recorded at the Al Maktoum International Airport, 44.0 per cent. of which were commercial cargo flights, 55.5 per cent. of which were test and training flights and 0.5 per cent. of which were general aviation operations.

The Dubai Civil Aviation Authority is the regulatory body which sets out policies for civil aviation in the emirate of Dubai, while 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. Income from such fees increased by approximately 10.2 per cent. from 2010 to 2011, while rental income increased by approximately 11.4 per cent. from 2010 to 2011. The total revenue collected by DAC increased by 10.9 per cent. from 2010 to 2011.

DAC has developed a strategic plan to guide the development of Dubai International Airport, Al Maktoum International Airport and Dubai World Central (the **Strategic Plan 2020**). The Strategic Plan 2020 initially provides for the expansion of airspace, airfields, stands and terminal areas at Dubai International Airport. In particular, it aims to deliver additional runway and airspace capacity in order to facilitate airline growth plans. The Strategic Plan 2020 also calls for the construction of additional terminals, concourse areas and the upgrade of baggage systems in order to accommodate the expected increase in passenger traffic.

The Strategic Plan 2020 targets a 60 per cent. increase in the number of aircraft stands at Dubai International Airport from 144 to 230 by the year 2015 and the creation of an additional 675,000 square metres of floor space. Cargo capacity is also intended to be increased from 2.2 million tonnes to 4.1 million tonnes by 2020, with an additional 30,000 square metres expansion of the cargo terminal. The Strategic Plan 2020 also anticipates that construction of Phase 2 of the Al Maktoum International Airport will be undertaken during the period 2018 to 2023. Once Phase 2 is fully completed, the Al Maktoum International Airport is planned to become the world's largest airport with 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 a year.

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 telephony, 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 31 August 2012 there were approximately 1.9 million fixed lines in operation in the UAE, with 13.0 million mobile subscribers and 926,317 internet subscribers (comprising 922,325 broadband subscribers and 3,992 dial-up subscribers). As of 31 August 2012, the fixed line penetration rate (being the number of lines expressed as a percentage of the estimated population) was 23.6 per cent., the mobile penetration rate (being the number of mobile subscribers expressed as a percentage of estimated population) was 159.2 per cent. and the internet penetration rate (being the number of subscribers expressed as a percentage of the estimated population) was 11.3 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.

As Dubai's population has increased in the past few years, the demand for electricity and water has also increased. The peak load of electricity increased from 6,161 megawatts (**MW**) in 2010 to 6,206 MW in 2011 and DEWA increased its installed electricity generation capacity from 7,361 MW in 2010 to 8,721 MW in 2011. Although the peak load for water decreased slightly from approximately 283 million imperial gallons daily (**MIGD**) in 2010 to 276 MIGD in 2011, DEWA increased its installed water desalination capacity from 330 MIGD in 2010 to 400 MIGD in 2011.

The following table sets out the growth in demand and capacity for water and electricity in Dubai in each of the years 2008 to 2011:

	2008	**2009**	**2010**	**2011**
		(in MIGD)		
Installed Desalinated Water Capacity	275	330	330	400
Peak Desalinated Water Capacity	264	271	283	276
		(in MW)		
Installed Electricity Generation Capacity	3,833	6,997	7,361	8,721
Peak Electricity Demand	5,287	5,622	6,161	6,206

Source: DEWA

The following table sets out the breakdown of DEWA's electricity and water customer bases across various consumer sectors in each of the years 2008 to 2011:

	2008	2009	2010	2011
Residential Electricity Customers	333,681	375,391	421,434	440,516
Commercial Electricity Customers	126,539	145,845	150,383	151,560
Industrial Electricity Customers	1,998	2,140	2,190	2,283
Other Electricity Customers	5,430	7,617	6,812	6,572
Total Number of DEWA Electricity Customers	**467,648**	**530,993**	**580,819**	**600,931**
Residential Water Customers	313,647	368,420	404,750	426,540
Commercial Water Customers	75,943	95,933	98,081	102,617
Industrial Water Customers	1,140	1,223	1,223	1,222
Other Water Customers	2,208	4,136	3,139	2,506
Total number of DEWA water customers	**392,938**	**469,712**	**507,193**	**532,885**

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 575 hotels, guest houses and hotel apartments in Dubai at the end of 2011 with an occupancy rate of 74 per cent. in 2011. As at the end of the third quarter of 2012, the number of hotels, guest houses and hotel apartments in Dubai increased to 588. Dubai's hotels, guest houses and hotel apartments accommodated 9,095,570 guests in 2011, an increase of 9.7 per cent. from 8,294,132 visitors in 2010, while hotel occupancy increased from 70 per cent. in 2010 to 74 per cent. in 2011, along with a 5.5 per cent. increase in the number of hotel rooms in 2011, from 70,955 to 74,843. The number of hotel rooms increased to 76,784 as at the end of the third quarter of 2012, with a total of 7,231,670 visitors accommodated during the first three quarters of 2012. The DTCM also reported a 20.0 per cent. increase in annual revenues for Dubai's hotels and hotel apartments in 2011, from AED 13.3 billion in 2010 to AED 16.0 billion in 2011.

The following table sets out various statistics in relation to tourism in Dubai in each of the years 2008 to 2011:

	2008	2009	2010	2011
Number of hotels and hotel apartments	493	540	573	575
Number of guests (in millions)	7.53	7.58	8.29	9.10
Number of hotel rooms	50,457	61,487	70,955	74,843
Occupancy (per cent.)	82	70	70	74
Hotel revenue (in AED billions)	15.3	12.5	13.3	16.0

Source: DTCM

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 estimates that restaurants and hotels contributed approximately 4.0 per cent. to Dubai's real GDP in 2011.

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 such as the Dubai International Film Festival and Art Dubai. Reports by the Dubai World Trade Center show that 75 exhibitions were held in 2011 with 31,556 companies participating, a 9.2 per cent. increase from 2010, and visitors reaching 1,217,169, a 21.9 per cent. increase from 2010. In addition, 2011 saw 151 meetings and conferences held with 83,191 delegates attending, further helping the tourism sector of Dubai's economy.

The following table sets out various statistics in relation to exhibitions and conferences held in Dubai in each of the years 2008 to 2011:

	2008	**2009**	**2010**	**2011**
Number of exhibitions held	100	83	83	75
Number of companies participating in exhibitions	30,418	28,415	28,906	31,556
Number of exhibition visitors	1,062,030	1,089,641	998,731	1,217,169
Number of meetings and conferences held	597	510	291	151
Number of delegates for meetings and conferences	75,781	59,082	130,086	83,191

Source: Dubai Statistics Centre

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.

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 a readily available 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.

Each free zone in Dubai is governed both by federal law as well as the laws of Dubai. In addition, each free zone is authorized to adopt and administer regulations which pertain to entities operating and licensed in that individual free zone. The Dubai Free Zones Council was established in 2011 in order to increase coordination amongst the various Dubai free zones and to assist them in unifying the rules and regulations governing free zone companies, in particular the rules related to registration and licensing. In addition, Law No. 13 of 2011, introduced by the Government in September 2011, provides an additional incentive to establish free zone companies in Dubai by clarifying the ability of free zone companies to conduct business onshore in the Emirate. The law includes provisions which formalise a licensing regime which will enable such free zone companies to operate onshore after registering with the DED.

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, the Dubai Airport Free Zone and Dubai Silicon Oasis.

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, Dubai Multi Commodities Centre Authority (DMCC) and Dubai Gold and Diamond Park.

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

Jebel Ali Free Zone

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 through Dubai World.

JAFZ is a major trade and industrial area in Dubai, which is spread across 55 km^2 between the Jebel Ali Port and the new Al Maktoum International Airport (under construction) in Jebel Ali. As at 30 June 2012, JAFZ had more than 6,700 companies, including 125 of the Fortune Global 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. Its three primary free zone clusters are: the information and communication technology cluster, the Media cluster and the Education cluster.

Information and Technology Cluster

TECOM's information and technology cluster consists of Dubai Internet City and Dubai Outsource Zone. 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 Outsource Zone is a free zone dedicated to the outsourcing industry and aims to act as a base for both domestic and third-party outsourcing operations. Dubai Outsource Zone also acts as a centre for off-shore disaster recovery facilities. Its clients include Du, Emirates Airlines (**Emirates**) and the Jumeirah Group.

Media Cluster

TECOM's media cluster consists of Dubai Media City, Dubai Studio City and the International Media Production Zone. 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 Studio City offers a technical and community infrastructure to the film, television and music production industries and features pre-built studios, sound stages, warehouses, workshops, office spaces and stage areas.

International Media Production Zone is a business hub that is focused on the development of the graphic art, printing, publishing and packaging industries.

Education Cluster

TECOM's education cluster consists of Dubai Knowledge Village and Dubai International Academic City. 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.

Dubai International Academic City hosts twenty-one academic institutions from eleven countries on a 1.7 million square metre campus, including universities such as Michigan State University, University of Wollongong, Murdoch University and the University of Bradford. Academic programs offered within the zone include, undergraduate and post graduate programmes in engineering, information technology, media, business, and mass communications, amongst others. Dubai International Academic City currently hosts approximately 20,000 students.

Source: TECOM

Dubai International Financial Centre

In 2002, the Government 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 848 companies as at 31 December 2011, an increase of 7 per cent. from the 792 companies registered as at 31 December 2010. As at 31 December 2011, the number of employees working in the DIFC was around 12,000. During 2011, the DIFC also added around one million square feet of commercial office space, and average occupancy of DIFC-owned commercial offices stood at over 95 per cent., As at 31 December 2011, 37 per cent. of registered companies operating from DIFC were from Europe, 26 per cent. from the Middle East, 17 per cent. from North America, 11 per cent. from Asia and 9 per cent. from the rest of the world. The DFSA supervises and regulates a total of 347 entities, comprising 275 authorised firms, 49 ancillary service providers, 15 registered auditors, six registered funds and two authorised market institutions.

The laws and regulations of the DIFC are developed by the DIFC Authority (the **DIFCA**) and the DFSA. The DIFCA is responsible for the laws and regulations that regulate the non-financial activities within the DIFC, including employment law, companies and commercial law and real estate law. The DFSA is responsible for the laws and regulations relating to all the financial and ancillary services within the DIFC. DIFC's laws and regulations are applied by the DIFC Courts, which are independent of the Dubai Courts and the UAE Federal Courts, and consist of a Court of First Instance and a Court of Appeal.

Previously, the jurisdiction of the DIFC Courts was restricted to civil and commercial disputes having a direct nexus to the DIFC. However, in October 2011, the Ruler of Dubai issued Law. No. 16 of 2011 which abolished the requirement for disputes to have a direct nexus to the DIFC in order for the DIFC Courts to claim jurisdiction. As a result, private parties may now agree to choose the DIFC Courts to hear disputes under civil and commercial agreements. In addition, a protocol for enforcement has been established between the Dubai Courts and the DIFC Courts, which is intended to enable the enforcement in Dubai of a final, non-appealable judgment of the DIFC Courts.

Source: DIFC, DFSA

Dubai Airport Free Zone (DAFZ)

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

DAFZ is located within the boundaries of the Dubai International Airport and businesses operating in DAFZ can use the logistics facilities available at the airport to transport goods through various cargo airlines that operate out of the airport. Companies located in DAFZ include Boeing, DHL, Federal Express, Redbull, Roche, Panasonic Avionics, Rolls Royce, Airbus, Bauer Equipment USA Inc., Audi Volkswagen, Kawasaki Heavy Industries and Sumitomo Corporation.

In 2000, DAFZ had 20,000 square metres of rentable space consisting of offices and light industrial units. By 2011, DAFZ had grown to include 167,000 square metres of office space, 89,000 square metres of light industrial units and warehouses and 228,000 square metres of land plots. DAFZ currently has over 1,500 tenants, 60 per cent. of whom are either European investors or investors from the Gulf Cooperation Council countries. 202 new companies registered with DAFZ in 2011.

Source: DAFZA

Dubai Silicon Oasis (DSO)

DSO was established in 2004 and is wholly owned by the Government through the Dubai Silicon Oasis Authority.

DSO principally supports and accommodates businesses and services in the technology, telecommunications, electrical and engineering sectors. Companies located in DSO include Philips, Fujitsu, AMD, Western Digital, Synopsys and Corning. As of April 2012, there were over 30,000 employees and 531 entities operating in DSO.

Source: DSO

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 following table sets out the balance of payments for the UAE for each of the years 2008 to 2011.

UAE Balance of Payments:

	2008	**2009**	**2010**	**2011[3]**
		(in millions of AED)		
Current Account Balance	**81,818**	**28,824**	**26,595**	**112,694**
Trade Balance (FOB)	231,092	154,596	179,872	291,951
Total Exports of the Hydrocarbon Sector	374,915	249,273	274,109	409,876
Non-hydrocarbon Exports	157,814	161,479	187,335	227,953
Re-exports[1]	345,779	293,642	322,778	396,494
Total Exports and Re-exports (FOB)	878,508	704,394	784,222	1,034,323
Total Imports (FOB)	(647,417)	(549,798)	(604,351)	(742,372)
Services (net)	(124,244)	(100,172)	(111,511)	(843,605)
Investment Income (net)	13,970	11,800	(366)	75
Transfers (net)	(39,000)	(37,400)	(41,400)	(44,200)
Capital and Financial Account	**(203,061)**	**(35,584)**	**18,457**	**(60,354)**
Capital Account[2]				
Financial Account	(203,061)	(35,584)	18,457	(60,354)
Errors and Omissions	(50,759)	(15,760)	(18,120)	(35,719)
Overall Balance	**(172,002)**	**(22,520)**	**(26,932)**	**16,621**

Source: UAE Central Bank

Notes:

(1) Includes re-exports of non-monetary gold.

(2) Data not disclosed.

(3) Preliminary estimates subject to revision.

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 2008, 2009, 2010 and 2011, 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 2008, reflecting economic expansion in the region (which also boosted re-exports in 2008) and increased demand for goods to support infrastructural development in the UAE before declining in 2009 by 15.1 per cent. as the effects of the global financial crisis were felt. The UAE's imports increased by 9.9 per cent. in 2010 compared to 2009, and by 22.8 per cent. in 2011 compared to 2010. The UAE's trade balance as a percentage of nominal GDP was 20.0 per cent. in 2008, 16.2 per cent. in 2009, 17.3 per cent. in 2010 and 23.5 per cent. in 2011 (based on the NBS' preliminary estimate for nominal GDP for the UAE in 2011).

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 2008, 2009 and 2010 equal to 7.1 per cent., 3.0 per cent. and 2.6 per cent., respectively, of the UAE's nominal GDP in each of these years. In 2011, the UAE had a positive current account balance of 9.1 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 2012, the IMF issued its UAE 2012 Article IV Consultation, which highlighted that the UAE is benefitting from significant capital injections in the banking sector, growth in the trade, tourism, logistics and manufacturing sectors, and high oil prices. 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. 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.

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 18.5 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. In 2011, a net deficit of the financial account of AED 60.4 billion was recorded, which indicates a net outflow of capital from the UAE during this year, comprising a net outflow of capital by the public sector of AED 95.0 billion and a net inflow of private capital of AED 34.6 billion.

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 surplus of AED 26.9 billion, equal to 2.6 per cent. of the UAE's nominal GDP in that year. In 2011, the balance of payments showed a surplus of AED 16.6 billion, equal to 1.3 per cent. of the UAE's nominal GDP in that year (based on the NBS' preliminary estimate for nominal GDP for the UAE in 2011).

As at 31 December 2011, the UAE's official foreign asset holdings amounted to approximately AED 132.3 billion (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 927.6 billion in 2011 which reflects an increase of 30.0 per cent. from the previous year. The following table sets out the UAE's total foreign trade (imports, non-oil exports and re-exports) for each of the years 2008 to 2011:

	2008	**2009**	**2010**	**2011**
		(in millions of AED)		
Total Trade	788,923	660,366	754,355	927,637
Imports	565,720	447,394	485,414	602,757
Non-oil Exports	60,359	65,279	83,078	114,038
Re-exports	162,845	147,693	185,863	210,842

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 700.4 billion in 2011, an increase of 21.7 per cent. from AED 575.7 billion in 2010. Imports amounted to AED 441.7 billion, exports amounted to 98.1 billion and re-exports amounted to 160.7 billion in 2011. The following table sets out Dubai's total direct foreign trade (imports, exports and re-exports) for each of the years 2008 to 2011:

	2008	**2009**	**2010**	**2011**
		(in millions of AED)		
Total Trade	612,744	488,498	575,656	700,425
Imports (CIF)	441,477	318,520	363,671	441,666
Exports (FOB)	42,641	52,420	67,962	98,064
Re-exports (FOB)	128,626	117,559	144,023	160,694

Source: Dubai Statistics Centre

In 2011 the share of imports in total trade was 63.1 per cent. compared to 63.2 per cent. in 2010 and 65.2 per cent. in 2009. The share of exports and re-exports in total trade for 2011 was 14.0 per cent. and 22.9 per cent., respectively. The value of Dubai's imports fell by 27.9 per cent. in 2009, grew by 14.2 per cent. in 2010 and 21.4 per cent. in 2011 to reach AED 441.7 billion. The value of Dubai's exports grew by 22.9 per cent. in 2009, by 29.6 per cent. in 2010 and by 44.3 per cent. in 2011, reaching AED 98.1 billion. The increase in exports was mainly due to the increase in exports from the manufacturing sector. The value of Dubai's re-exports fell by 8.6 per cent. in 2009 and grew by 22.5 per cent. in 2010 and 11.6 per cent. in 2010, reaching AED 160.7 billion.

Dubai's principal merchandise imports in 2011 were pearls, precious stones and metals (accounting for approximately 38.2 per cent. of total imports), machinery, electrical and electronic equipment (accounting for approximately 15.3 per cent. of total imports) and vehicles, aircraft and vessels (accounting for approximately 10.7 per cent. of total imports). These goods were principally imported from major trading partner countries such as India, China, the USA, Germany and Japan. These countries accounted for 18.6 per cent., 10.8 per cent., 8.7 per cent., 4.5 per cent. and 4.1 per cent., respectively, of the total imports into Dubai in 2011.

India is the largest export and re-export market for goods from Dubai. In 2011, India accounted for 36.1 per cent. of the total exports from Dubai, with a total value of AED 35.4 billion, and 32.3 per cent. of the total re-exports from Dubai, with a total value of AED 51.8 billion.

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 86.2 per cent. of the total foreign trade with Dubai in 2011 According to information published by Dubai Statistics Centre, the South and West Asia region accounted for AED 232.6 billion of trade with Dubai in 2011 followed by East and South East Asia and the Western Europe region with AED 139.0 billion and AED 130.9 billion, respectively. These three regions together accounted for approximately 71.8 per cent. of Dubai's total foreign trade in 2011. During the first ten months of 2012, India was the largest trading partner for Dubai, followed by China, Switzerland, the United States and Turkey.

The following table sets out the distribution of Dubai's foreign trade for 2011:

Region	**Imports**	**Exports**	**Re-exports**	**Total Trade**	**Per cent.**
			(in billions of AED)		
South and West Asia	99.5	45.9	87.2	232.6	33.2
East and South East Asia......	116.2	10.0	12.8	139.0	19.9
Western Europe....................	94.0	19.0	17.9	130.9	18.7
Arab (non-GCC)	29.94	9.41	13.92	53.27	7.6
North America	43.4	1.4	2.8	47.7	6.8
Sub-Saharan Africa	24.3	2.9	9.3	36.4	5.2
GCC.....................................	9.4	7.7	11.3	28.4	4.1
Other....................................	24.92	1.77	5.45	32.13	4.6
Total....................................	**441.7**	**98.1**	**160.7**	**700.4**	**100**

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. The principal objective of the UAE's monetary policy to date 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 and the UAE authorities have expressed publicly their commitment to the UAE dirham and the fixed exchange rate regime. 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.

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 following table sets out certain liquidity indicators for the UAE as at 31 December in each of the years 2008 to 2011:

	2008	2009	2010	2011
		(in millions of AED)		
Currency issued (M0)	45,327	45,580	47,775	52,087
Money supply (M1)	208,138	223,482	232,961	264,096
Private domestic liquidity (M2)	674,310	740,618	786,388	825,758
Overall domestic liquidity (M3)	899,093	947,780	985,172	1,001,357
Broad money (M2) to nominal UAE GDP (per cent.)	58.3	74.6	71.9	66.4
Private sector credit	729,825	723,866	720,617	730,861
Private sector credit to nominal UAE GDP (per cent.)	63.1	72.9	65.9	58.8
Domestic credit	924,383	958,588	972,107	992,906
Domestic credit to nominal UAE GDP (per cent.)	80.0	96.6	88.9	79.8

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 58.3 per cent. as at 31 December 2008. 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 as 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 5.0 per cent. in the 12-month period from 31 December 2010 to 31 December 2011, compared with an increase of 19.2 per cent. in the 12-month period from 31 December 2008 to 31 December 2009. The availability of credit was constrained from the fourth quarter of 2008 to 2010, but improved in 2011 with private sector credit increasing from AED 720,617 million as at 31 December 2010 to AED 730,861 million as at 31 December 2011, and domestic credit increasing from AED 972,107 million as at 31 December 2010 to AED 992,906 million as at 31 December 2011.

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 2008 to 2011:

	2008	2009	2010	2011
		(in millions of AED)		
Foreign Assets Holdings................................	113,039	89,875	116,701	132,291

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.

Foreign currency reserves 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 the first half of 2008, but subsequently increased in 2010 reflecting higher oil prices. This upward trend continued in 2011 with oil prices remaining stable.

Banking and Financial Services

The financial corporations sector in Dubai contributed AED 34,608 million (or 11.3 per cent. of Dubai's real GDP) in 2011.

Within the UAE as a whole, the financial sector was estimated to have contributed approximately 6.9 per cent. of real GDP in 2011 (according to preliminary estimates published by the NBS). With 51 licensed commercial banks (comprising 23 local banks with 768 branches and 28 licenced foreign banks with 83 branches) as at 31 December 2011, 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 as at 31 December 2011 was AED 1,071.0 billion, compared to AED 1,031.3 billion as at 31 December 2010, AED 1,017.7 billion as at 31 December 2009 and AED 993.7 billion as at 31 December 2008. Of these amounts, specific and general provisions were AED 71.6 billion in 2011, AED 56.8 billion in 2010, AED 43.3 billion in 2009 and AED 25.0 billion in 2008, equating to provision rates of 6.7 per cent., 5.5 per cent., 4.3 per cent. and 2.5 per cent. respectively.

The following table sets out a statistical analysis of the UAE banking sector as at 31 December in each of the years 2008 to 2011.

	2008	2009	2010	2011
		(in millions of AED)		
Total Number of Commercial Banks	52	52	51	51
Total Number of Branches	696	756	815	851
Total Number of Employees(1)	39,589	37,704	37,403	37,499
Total Credit Facilities(2) (AED millions) ..	924,383	958,588	972,107	992,906
Total Provisions(3) (AED millions)	25,269	43,300	56,800	71,600
Total Assets(2) (AED millions)	1,447,894	1,521,002	1,609,257	1,665,220
Total Deposits (AED millions)	912,170	982,579	1,049,628	1,069,750

Source: UAE Central Bank

Notes:

(1) Excluding overseas branches.

(2) Net of provisions and interest in suspense.

(3) Including interest in suspense.

Principal Banks in Dubai

The following table sets out summary information for each of the five principal banks by asset size established in Dubai:

	Number of Branches(1)	Year Established	Government ownership (per cent.)(1)	Assets (AED millions)(1)
Emirates NBD PJSC............................	112	2007(2)	55.64	284,613
Dubai Islamic Bank.............................	74	1975	29.80	90,589
Mashreqbank	50	1967	–	79,241
Commercial Bank of Dubai	31	1969	20.00	38,241
Noor Islamic Bank	11	2008	25.00	16,877

Sources: Published financial statements.

Notes:

(1) As at 31 December 2011.

(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. 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. 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 PJSC (**Dubai Bank**) (which was acquired in May 2011 by the Government and in October 2011 by Emirates NBD PJSC, see "*Public Finance – Major ICD Investments – Emirates NBD PJSC*") 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 as at 31 December 2011, 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 as at 31 December 2011, 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 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. The Basel II Accord 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 of the Basel II Accord, regulators could require some banks to provide additional capital based on the overall risk profile, beyond the minimum requirements under Pillar I of the Basel II Accord.

During 2009, the Government (acting through the ICD) subscribed for AED 4 billion of mandatory convertible securities issued by ENBD. 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. as at 31 December 2010 from 19.2 per cent. as at 31 December 2009 and 13.3 per cent. as at 31 December 2008. The capital adequacy ratio of all UAE national banks was 20.8 per cent. as at 31 December 2011.

The following table sets out the capital adequacy ratio of all UAE national banks as at 31 December in each of the years 2008 to 2011.

	2008	**2009**	**2010**	**2011**
Total capital adequacy ratio (per cent.)	13.3	19.2	20.8	20.8
Tier I capital adequacy ratio (per cent.)............	– (1)	15.4	16.1	16.3

Source: UAE Central Bank

Notes:

Data not available for 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, 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 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. In January 2013, Dubai Islamic Bank announced its intention to acquire the remaining 41.75 per cent. issued share capital of Tamweel by way of a share swap.

The UAE Central Bank is expected to tighten regulations on how banks in the UAE manage liquidity through the introduction of new qualitative, quantatitve 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 Algosaibi 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 total provisions recorded by banks in the UAE have increased from AED 25.2 billion, or 1.8 per cent. of total UAE bank assets, as at 31 December 2008 to AED 43.3 billion, or 2.9 per cent. of total UAE bank assets as at 31 December 2009, AED 56.8 billion, or 3.5 per cent. of total UAE bank assets, as at 31 December 2010 and AED 71.6 billion, or 4.3 per cent. of total UAE bank assets, as at 31 December 2011.

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 four years, up from the previous requirement of 1.25 per cent.

Dubai Bank was taken over by the Government in May 2011, supported by both the UAE Central Bank and the UAE Ministry of Finance. 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 were assessed. Subsequently, in October 2011, in accordance with a decree issued by the Ruler of Dubai, ENBD acquired a 100 per cent. stake in Dubai Bank, following which Dubai Bank became a fully-owned Islamic banking subsidiary of ENBD.

Large Exposures

The UAE Central Bank has adopted certain rules designed to ensure that banks' credit policies are sound and that undue risk does not arise from excessive concentration of credit to a single borrower or a group of related borrowers, thereby safeguarding the relevant bank's solvency. Amendments to these rules made in April 2012 pursuant to circular no. 209/2012 (the **Liquidity Regulation**) have provided guidelines as to the amount of credit which can be extended to the UAE federal government, local governments and related commercial entities. In relation to private sector entities, the Liquidity Regulation provides for a large exposures limit of 7 per cent. of bank capital and a single holding limit of 5 per cent. of bank capital. The Liquidity Regulation will also establish a large exposures limit of 25 per cent. and a funded exposures limit of 15 per cent. with respect to local governments and their non-commercial entities, as well as for commercial entities of either the federal government or local governments. In December 2012, the UAE Central Bank announced that the implementation of the Liquidity Regulation is to be postponed until details of its requirements are fully agreed, although the announcement did not state when the Liquidity Regulation is intended to be implemented.

UAE Central Bank regulations also specifically provide for exposure limits to banks. With respect to banks operating within the UAE that have a maturity of over one year, the UAE Central Bank regulations prohibit exposure that amounts to more than 25 per cent. of the lending bank's capital base. Similarly, exposures to banks operating outside the UAE, irrespective of their maturity, may not exceed 30 per cent. of the lending bank's capital base. In addition, the UAE Central Bank restricts overall exposure to related parties within a single banking group at no more than 25 per cent. in aggregate of a bank's capital base.

In December 2012, the UAE Central Bank issued circular no. 3871/2012, stating that the maximum loan to property value ratio in the case of mortgage loans for individuals should not exceed, in the case of nationals, 70 per cent. for the first house and 60 per cent. for subsequent houses, and in the case of non-nationals, 50 per cent. for the first house and 40 per cent. for subsequent houses. The UAE Central Bank has not yet issued any guidance as to when these limits are to be implemented.

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 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 Securities & Commodities Authority (the SCA), which licenses intermediaries to trade on 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 to the end of 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 market capitalisation of each of the DFM and ADX remained steady in 2012 with the DFM increasing its market capitalisation by 0.4 per cent. during the first eleven months of 2012 and the ADX decreasing its market capitalisation by 1.6 per cent. during the twelve months ended 31 December 2012.

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.

Dubai Financial Market

The DFM, which is now, along with NASDAQ Dubai, owned by Borse Dubai, was established by the Government 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 1,622.5 as at 31 December 2012 compared to 1,353.3 as at 31 December 2011, an increase of 19.9 per cent. The total market capitalisation of the DFM Index marginally increased by 0.4 per cent. during the first eleven months of 2012, reaching AED 182.7 billion as at 30 November 2012, compared to AED 182.0 billion as at 31 December 2011.

The following table sets out the number of traded shares, the value of traded shares, the number of executed transactions on the DFM and the closing price of the DFM Index as at 31 December in each of the years 2008 to 2011:

	2008	2009	2010	2011
Number of Traded Shares (*millions*)..........	76,508	110,700	38,392	25,163
Value of Traded Shares (*AED millions*)......	305,202	173,600	69,665	32,088
Number of Trades	2,131,000	1,984,000	795,000	444,814
Market Capitalisation (*AED millions*).........	231,812	213,377	199,086	181,993

	2008	2009	2010	2011
DFM Index year-end index closing price	1,636.29	1,803.58	1,630.52	1,353.39

Source: Dubai Statistics Centre, DFM

The value of traded shares on the DFM decreased by 53.9 per cent. reaching AED 32.1 billion in 2011 down from AED 69.7 billion in 2010. The number of shares traded decreased 34.5 per cent. to AED 25.2 billion in 2011 from 38.4 billion in 2010. The number of trades decreased by 44.0 per cent. to 444,814 in 2011 from 795,000 in 2010. 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 5.72 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 10 *sukuk* listed on NASDAQ Dubai as at 31 December 2012.

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

In 2012, the value of equities traded on NASDAQ Dubai decreased by 24.5 per cent. to AED 1.9 billion compared to AED 2.5 billion in 2011. The closing price of the NASDAQ Dubai UAE 20 Index stood at 1,819.8 as at 31 December 2012 compared to 1,374.4 as at 31 December 2011, an increase of 32.4 per cent.

The following table sets out the number of traded shares, the value of traded shares and the number of executed transactions on NASDAQ Dubai, the market capitalisation of NASDAQ Dubai and the closing price as at 31 December of the NASDAQ Dubai UAE 20 Index in each of the years 2008 to 2011:

	2008	2009	2010	2011
Number of Traded Shares *(millions)*	2,392	3,096	2,623	16,416
Value of Traded Shares *(AED millions)*	6,439	3,952	4,805	2,474
Number of Executed Transactions	28,862	22,471	20,241	16,416
Market Capitalisation *(AED millions)*	151,719	181,229	183,337	32,777

	2008	2009	2010	2011
NASDAQ Dubai UAE 20 year-end closing price	1,248.40	1,851.35	1,800.58	1,374.39

Source: Dubai Statistics Centre, Bloomberg

PUBLIC FINANCE

Government Finance

Dubai Government Budget

The Government is organised into 20 major departments, each with specific responsibilities. The Government'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*" below).

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

The Government's budget preparation process is coordinated 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.

Budget 2012 details

The Government budgeted government revenues in 2012 of AED 30.4 billion, approximately 6.9 per cent. lower than revenues in 2011, and budgeted total expenditure to be AED 32.3 billion, which is approximately 11.3 per cent. lower than 2011 expenditure, resulting in an overall budget deficit of AED 1.8 billion in 2012 compared with an actual deficit of AED 3.7 billion in 2011 (see "*Budget Surplus or Deficit*" below).

Development expenditure remained a significant item in the 2012 budget and was expected to be incurred mainly in relation to key projects such as the Dubai Metro infrastructure, Al Sufouh Tramway and various road projects. Approximately AED 5.9 billion of total public spending (which represented approximately 18.3 per cent. of total government expenditures) was budgeted for infrastructure development in the 2012 budget.

The 11.3 per cent. decrease in estimated overall government spending in the 2012 budget compared to actual figures for 2011 reflected both a reduction in current expenditure as a result of efficiency programmes and in development expenditure following the completion of certain infrastructure projects in 2011.

Budget 2013 details

The Government has budgeted government revenues in 2013 of AED 32.6 billion, approximately 7.2 per cent. higher than budgeted revenues in 2012, and has budgeted total expenditure to be AED 34.1 billion, which is approximately 5.8 per cent. higher than 2012 budgeted expenditure, resulting in an overall budget deficit of AED 1.5 billion in 2013 compared with a budget deficit of AED 1.8 billion in 2012 (see "*Budget Surplus or Deficit*" below).

The 2013 budget intends to provide the stimuli necessary to promote economic growth and increase the efficiency of government agencies to provide the best services, health and social care for the citizens and residents of Dubai. The 5.8 per cent. increase in budgeted expenditure in 2013 as compared to 2012 reflects the Government's intention to support Dubai's economy by increasing public spending. However, this increase in expenditure is counter-balanced by the 7.2 per cent. increase in budgeted revenues in 2013 as compared to 2012 which will enable the Government to also achieve its objective of reducing Dubai's deficit and, in the near term, achieving balance in the budget.

The following table sets out the Government's actual revenues and expenditures in each of the years 2009 to 2011 and budgeted data for 2012 and 2013:

	2009	**2010**	**2011**	**2012**[(1)]	**2013**[(2)]
			(*in millions of AED*)		
Non-Tax Revenue	***21,293***	***22,811***	***24,704***	***23,831***	***25,044***
Oil & Gas	4,703	5,014	5,477	3,500	3,916
Enterprise Profits	770	1,885	1,375	2,000	1,000
Other	15,820	15,912	17,851	18,331	20,128
Tax Revenue	***7,132***	***7,056***	***7,987***	***6,600***	***7,576***
Customs	5,792	5,944	6,894	5,500	6,376
Income Tax	1,340	1,113	1,093	1,100	1,200
Total Revenue	**28,425**	**29,868**	**32,691**	**30,431**	**32,620**
Current Expenditure	**25,609**	**23,757**	**25,077**	**23,552**	**25,300**
Wages and Salaries	10,369	10,886	11,200	12,852	13,200
Goods and Services	6,748	6,555	7,197	7,529	7,500
Subsidies and Transfers	5,753	5,357	5,730	2,277	3,800
Other	2,739	960	950	895	800
Development Expenditure	13,499	8,852	7,135	5,906	5,620
Loan and Equity (net)	1,056	2,680	2,649	1,300	2,000
Grants	1,200	600	1,500	1,500	1,200
Total Expenditure	**41,364**	**35,890**	**36,360**	**32,258**	**34,120**
Overall Balance	**(12,939)**	**(6,022)**	**(3,669)**	**(1,827)**	**(1,500)**

Source: DoF

Notes:

(1) Budget for 2012.

(2) Budget for 2013.

Revenue

Dubai's revenues are categorised as non-tax revenues and tax revenues. The Government's non-tax revenue, which comprised 74.9 per cent., 76.4 per cent. and 75.6 per cent. of total revenues in the years 2009, 2010 and 2011, respectively, and is budgeted to comprise approximately 78.3 per cent. and 76.8 per cent. of total revenues in 2012 and 2013, respectively, principally comprises a range of fees as well as revenues from oil and gas operations and contributions made by ICD to the Government.

Oil and gas revenue increased by 9.2 per cent. between 2010 and 2011, principally due to the increase in average oil prices in 2011. The budgeted decrease in oil and gas revenues by 36.1 per cent. in 2012 compared to actual figures for 2011 reflects lower levels of production and conservative oil price forecasts for 2012, and the budgeted increase in oil and gas revenues by 11.9 per cent. in 2013 compared to budgeted figures for 2012 reflects higher oil price forecasts for 2013.

Revenue from enterprise profits decreased by 27.0 per cent. between 2010 and 2011, principally due to the repayment by ICD in 2011 of around U.S.$4 billion of principal of its debt in 2011. Revenue from enterprise profits is budgeted to increase by 45.4 per cent. in 2012 and decrease by 50.0 per cent. in 2013. The budgeted decrease in 2013 is principally due to lower budgeted allocation of profits from ICD due to certain debt obligations of ICD maturing in 2013.

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. Revenues from this source increased by 12.2 per cent. between 2010 and 2011, principally due to increased collection of hotel fees, NOL card usage fees, immigration fees and fees at Government-owned hospitals. This category of revenues has increased as a proportion of non-tax revenues, from 74.3 per cent. in 2009 to 69.8 per cent. in 2010 and 72.3 per cent. in 2011. These fees are budgeted to account for around 76.9 per cent. and 80.3 per cent. of non-tax revenues in 2012 and 2013, respectively. Revenue from this source is budgeted to increase by 9.8 per cent. in 2013 compared to budgeted figures for 2012, principally due to increased revenues collected by the RTA and the Department of Civil Aviation due to increased passenger capacity following the completion of infrastructure projects such as the Green Line of the Dubai Metro and the newly-opened third concourse at Dubai International Airport.

Tax revenues comprise customs duties, which comprised 81.2 per cent., 84.2 per cent. and 86.3 per cent. of total tax in the years 2009, 2010 and 2011, respectively, and are budgeted to comprise 83.3 per cent. and 84.2 per cent. of total tax revenues in 2012 and 2013, respectively. Customs revenues for 2012 are budgeted to decrease by approximately 20.2 per cent. from 2011, principally due to the implementation in Dubai of a GCC-wide policy to exempt the import of electronic goods from customs levies. Customs revenues for 2013 are budgeted to increase by approximately 15.9 per cent. from 2012, principally due to increased trade activity.

In addition to customs duties, the Government 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. Revenues from the income tax category decreased marginally by 1.7 per cent. from 2010 to 2011, are budgeted to remain at a similar level in 2012, and are budgeted to increase by 9.1 per cent. in 2013, principally due to stronger expected performance of banks during this period.

The Government has no plans currently to implement income or corporation taxes, although there are currently studies being performed by the federal government and GCC governments on the potential scope and impact of a value added tax regime.

Overall revenues to be collected by the Government are budgeted to increase by 7.2 per cent. in 2013 as compared to 2012.

In 2009, the Government 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 increase in fee revenue in 2011 is principally due to increased collection of hotel fees, NOL card usage fees, immigration fees and fees at Government-owned hospitals.

Other sources of non-tax revenues include revenues from oil and gas production, which are included in the budget net of related oil and gas expenditure. The decrease in oil and gas revenues in 2011 is principally due to lower levels of production and lower international oil prices.

The following table sets out a breakdown of the Government's revenues by department in each of the years 2009 to 2011 and the budgeted breakdown for 2012 and 2013:

	2009	**2010**	**2011**	**2012**[(1)]	**2013**[(2)]
			(in millions of AED)		
Ports and Customs	5,792	5,944	6,894	6,500	7,140
Department of Finance	2,368	3,086	2,836	3,437	2,871
Roads and Transport Authority[(3)]	3,763	4,156	3,697	3,642	4,258
Dubai Municipality	4,572	4,759	4,860	5,050	5,244
Department of Petroleum Affairs	4,703	5,014	5,477	3,500	3,916
Department of Civil Aviation	1,940	2,356	2,643	2,885	3,082
Land Department	1,289	1,139	1,537	1,400	1,600
Dubai Police	1,061	1,190	1,172	1,400	1,350
Department of Economic Development	316	333	374	389	440
Immigration Department	794	830	1,002	1,046	1,125
Other Departments	1,827	1,061	2,199	1,182	1,594
Total	**28,425**	**29,868**	**32,691**	**30,431**	**32,620**

Source: DoF

Notes:

(1) Budget for 2012.

(1) Budget for 2013.

(3) RTA revenues for 2011 include AED 507 million towards debt servicing of Salik monetisation. See "Indebtedness – Guarantees and Contingent Obligations."

Ports and Customs revenues increased by 16.0 per cent. in 2011 compared to 2010, principally due to increased trade activity at Dubai ports. Ports and Customs revenues are budgeted to decrease by 5.7 per cent. in 2012 compared to actual figures for 2011, and are budgeted to increase by 9.8 per cent. in 2013 compared to 2012, principally due to higher overall trade activity.

A 16.6 per cent. decrease in revenues for the Department of Finance is budgeted in 2013 compared to 2012, principally due to lower enterprise profits due to lower budgeted allocation of profits from ICD.

Revenues for the RTA decreased by 11.0 per cent. in 2011 compared to 2010, principally due to the collection in 2010 of one-off revenue resulting from the passing of a decree which took effect in 2010 that enabled the Government to collect a large amount of revenue relating to a backlog of unpaid Salik fees from drivers from the other emirates of the UAE. Revenues for the RTA are budgeted to increase by 16.9 per cent. in 2013 compared to 2012, principally due to increased revenues from the Green Line of the Dubai Metro.

Revenues for Dubai Municipality increased by 2.1 per cent. in 2011 compared to 2010, a 3.9 per cent. increase in revenues is budgeted in 2012 compared to 2011, principally due to stricter and more extensive implementation of housing fees, and a 3.8 per cent. increase in revenues is budgeted in 2013 compared to 2012, principally due to higher collection of tourism-related fees.

Revenues for the Department of Petroleum Affairs increased by 9.2 per cent. in 2011 compared to 2010, principally due to higher international oil prices in 2011 as compared to 2010. The budgeted decrease in oil and gas revenues by 36.1 per cent. in 2012 compared to actual figures for 2011 reflects lower levels of production and conservative oil price forecasts for 2012, and the budgeted increase in oil and gas revenues by 11.9 per cent. in 2013 compared to budgeted figures for 2012 reflects higher oil price forecasts for 2013.

Revenues for the Department of Civil Aviation increased by 12.2 per cent. in 2011 compared to 2010, and a 9.2 per cent. increase in revenues is budgeted in 2012 compared to 2011, principally due to the higher number of passengers in 2012 and 2011 compared to 2010 (see "*Economy of Dubai – Airports*"). Revenues for the Department of Civil Aviation are budgeted to increase by 6.8 per cent. in 2013 compared to 2012, principally due to increased passenger numbers and increased capacity due to the newly-opened third concourse at Dubai International Airport.

Revenues for the Dubai Land Department increased by 34.9 per cent. in 2011 compared to 2010, principally due to fees from an increased number of registered land transactions, indicating increased confidence in the Dubai property market in 2011. Revenues for the Dubai Land Department were budgeted to decrease by 8.9 per cent. in 2012 compared to actual figures for 2011, and are budgeted to increase by 14.3 per cent. in 2013 compared to 2012, principally due to a higher number of projected transactions during this period.

Expenditure

Total expenditure budgeted for 2012 is AED 32.3 billion, which is approximately 11.3 per cent. lower than total expenditure in 2011. This decrease is principally due to the planned completion of certain of the RTA's capital intensive infrastructure projects and a significant reduction in subsidies and transfers. Total expenditure budgeted for 2013 is AED 34.1 billion, which is approximately 5.8 per cent. higher than total budgeted expenditure for 2012. This increase is principally due to an increase in expenditure on subsidies and higher debt service requirements, despite a decrease in development expenditure.

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

The Government'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 to, among others, sports clubs, cultural organisations, social and research entities, shopping festival allocations, charitable and religious initiatives.

Current expenditure accounted for 61.9 per cent., 66.2 per cent. and 69.0 per cent. of total Government expenditure in 2009, 2010 and 2011, respectively, and is budgeted to account for 73.0 per cent. and 74.2 per cent. of total expenditure in 2012 and 2013, respectively.

The 5.6 per cent. increase in current expenditure for 2011 compared to 2010 was principally due to routine and planned increases in wages and salaries of government employees of 2.9 per cent. in 2011. Wages and salaries are budgeted to increase by 14.8 per cent. in 2012 compared to actual figures for 2011, principally due to an increase in staffing due to the construction of Al Maktoum International Airport and the new third concourse at Dubai International Airport. Current expenditure is budgeted to increase by 7.4 per cent. in 2013 compared to 2012.

Goods and services expenditure has increased in recent years reflecting an expansion of services provided by various departments as they expand to serve a growing population. Expenditure in this area increased by 9.8 per cent. from 2010 to 2011, principally due to an increase in the cost of electricity and fuel, and is budgeted to increase by 4.6 per cent. in 2012, principally due to the reclassification of certain entities subsidised by the Government as GREs. Similarly, expenditure due to subsidies and transfers is budgeted to decrease by 60.5 per cent. in 2012 due to this reclassification. Expenditure due to subsidies and transfers is budgeted to increase by 66.9 per cent. in 2013 compared to 2012 due to increased expenditure on social funds such as the Social Solidarity Fund, which was established in December 2012 pursuant to Law No. 7 of 2012. The Social Solidarity Fund was established to improve cooperation among members of society and provide social welfare for eligible Emirati families. Benefits under the Social Solidarity Fund include continuous financial assistance, emergency and one-time financial assistance, zero-interest loans and temporary home rentals.

The Government's development expenditure accounted for 32.6 per cent., 24.7 per cent. and 19.6 per cent of total expenditure in the years 2009, 2010 and 2011, respectively, and is budgeted to account for 18.3 per cent. and 16.5 per cent. of total expenditure in 2012 and 2013, respectively. 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 2011 fell by 19.4 per cent. from 2010, and is budgeted to decrease by a further 17.2 per cent. and 4.8 per cent. in 2012 and 2013, respectively, in each case, principally due to completion of certain infrastructure projects.

Expenditure in the loan and equity category decreased marginally by 1.2 per cent. in 2011 compared to 2010, is budgeted to decrease by 50.9 per cent in 2012 and is budgeted to increase by 53.8 per cent. in 2013, due to higher repayment obligations.

The following table sets out a breakdown of the total expenditure of the Government departments in each of the years 2009 to 2011 and the budgeted total expenditure for 2012 and 2013:

	2009	**2010**	**2011**	**2012(1)**	**2013(2)**
	(in millions of AED)				
Department of Finance	8,068	8,696	9,923	6,341	8,641
Department of Health & Medical Services	2,500	2,353	2,842	3,116	3,405
Dubai Police	3,818	3,854	3,879	4,180	4,368
Department of Civil Aviation	1,652	1,860	2,164	2,410	2,488
Dubai Municipality	3,966	3,691	2,735	2,890	2,967
Road Transport Authority	14,946	9,535	8,930	6,920	6,148
State Security	894	922	1,001	1,024	1,186
Other Departments	5,519	4,979	4,886	5,377	4,918
Total	**41,364**	**35,890**	**36,360**	**32,258**	**34,120**

Source: DoF

Notes:

(1) Budget for 2012.

(2) Budget for 2013.

Expenditure by the DoF increased by 14.1 per cent. in 2011 compared to 2010, principally due to increased grants to the federal government. Such expenditure is budgeted to decrease by 36.1 per cent. in 2012 compared to actual figures for 2011, and is budgeted to increase by 36.3 per cent. in 2013 compared to 2012.

Expenditure by the Department of Health & Medical Services increased by 20.8 per cent. in 2011 compared to 2010. Such expenditure is budgeted to increase by 9.6 per cent. in 2012 compared to actual figures for 2011, and is budgeted to increase by 9.3 per cent. in 2013 compared to 2012, principally due to the ongoing construction of the new Al Jalila Children's Specialty Hospital.

Expenditure by the Dubai Police Department increased by 0.6 per cent. in 2011 compared to 2010. Such expenditure is budgeted to increase by 7.8 per cent. in 2012 compared to actual figures for 2011, and is budgeted to increase by 4.5 per cent. in 2013 compared to 2012, principally due to higher staffing requirements due to the opening of the new third concourse at Dubai International Airport.

Expenditure by the Department of Civil Aviation increased by 16.3 per cent. in 2011 compared to 2010, principally due to increased electricity and fuel costs. Such expenditure is budgeted to increase by 11.4 per cent. in 2012 compared to actual figures for 2011, and is budgeted to increase by 3.2 per cent. in 2013 compared to 2012.

Expenditure by Dubai Municipality decreased by 25.9 per cent. in 2011 compared to 2010, principally due to the completion of the Jebel Ali sewage plant in 2010. Such expenditure is budgeted to increase by 5.7 per cent. in 2012 compared to actual figures for 2011, and is budgeted to increase by 2.7 per cent. in 2013 compared to 2012.

Expenditure by the Road Transport Authority decreased by 6.3 per cent. in 2011 compared to 2010. Such expenditure is budgeted to decrease by 22.5 per cent. in 2012 compared to actual figures for 2011, and is budgeted to decrease by 11.2 per cent. in 2013 compared to 2012. These decreases are principally due to lower development expenditure due to the completion of various infrastructure projects.

Budget Surplus or Deficit

In 2008 and 2009, deficits representing 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. In 2011 a deficit of AED 3.7 billion was recorded, representing 1.2 per cent. of Dubai's nominal GDP and a decrease of 39.1 per cent. on the deficit for 2010, principally due to an increase in oil revenues and decreased development expenditure. In 2012 a deficit of AED 1.8 billion is budgeted, representing a decrease of 50.2 per cent. on the deficit for 2011. In 2013 a deficit of AED 1.5 billion is budgeted, representing a decrease of 17.9 per cent. on the budgeted deficit for 2012. These budgeted decreases in 2012 and 2013 are partially due to lower development expenditures related principally to completion of various infrastructure projects.

Subsidies provided to Emirates National Oil Company (ENOC) and Emirates Petroleum Products Company (EPPCO)

ENOC and EPPCO supply petrol to retail consumers at a price that is set by the federal government. Both ENOC and EPPCO have been incurring cash losses in recent years as a result of the imposition of a fixed petrol price. To compensate for such losses, the Government provides a subsidy to both of these companies. As at 30 June 2012, the total amount of subsidies payable to ENOC and EPPCO amounted to AED 7.01 billion.

Principal Investments

The Government owns all of the shares in two separate holding companies, ICD and Dubai World, as well as the Dubai Real Estate Corporation (**DREC**).

ICD is the investment arm of the Government. 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 formed in 2006 pursuant to a decree issued by the Ruler of Dubai, 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 Financial Support Fund – Dubai World Restructuring*" below).

DREC was established in June 2007 by the Ruler of Dubai to hold and manage commercial real estate properties registered in the name of the Government and its various departments. DREC's mandate extends to building, marketing and management, investing in and utilisation of commercial and industrial lands and properties. In June 2011, ownership of DREC, which was previously a subsidiary of ICD, was transferred directly to the Government pursuant to Law No. 11 of 2011. 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.

Investment Corporation of Dubai

The following tables set out 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
	(AED millions)[(1)]	*(per cent.)*	*(AED millions)*[(1)]
Emirates NBD PJSC	16,118	55.6	8,968
Emaar Properties PJSC	22,294	29.4	6,550
Dubai Islamic Bank PJSC	7,664	29.8	2,284
Commercial Bank of Dubai	5,727	20.0	1,145
Union National Bank	7,687	10.0	769
Dubai Investments PJSC	3,146	11.5	363
National Bank of Fujairah	6,160	9.8	602
Total[(2)]	**68,794**		**20,681**

Source: ICD

Note:

(1) These values reflect market capitalisation based on DFM/ADX quoted prices as at 4 November 2012.

(2) 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
	(AED millions)	*(per cent.)*	*(AED millions)*
Emirates Group (includes DNATA)[(1)]	25,391	100.0	25,391
Dubai Aluminum Company Limited[(1)]	21,323	100.0	21,323
Emirates National Oil Company[(2)]	13,847	100.0	13,847
Borse Dubai[(2)]	9,191	89.72	8,246
Dubai World Trade Centre[(2)]	7,539	100.0	7,539

Name	Market Capitalisation	ICD / Government Ownership	ICD / Government Ownership Value
	(AED millions)	*(per cent.)*	*(AED millions)*
Dubai Duty Free Establishment[(1)]	4,469	100.0	4,469
Dubai Airport Free Zone Authority[(1)]	3,465	100.0	3,465
Dubai Silicon Oasis[(3)]	2,562	100.0	2,562
Dubai Cable Company Limited[(1)]	1,683	50.0	842
Total[(5)]	**89,470**	**N/A**	**87,684**

Source: ICD

Note:

(1) These figures reflect the net equity value as per audited financial statements as at 30 June 2012.

(2) These figures reflect the net equity value based on draft financial statements as at 30 September 2012.

(3) These figures reflect the net equity value based on draft financial statements as at 30 June 2012.

(4) 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 holds shares. The Government 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

*Emirates NBD PJSC (**ENBD**)*

ENBD is the result of a merger in October 2007 between Emirates Bank International and National Bank of Dubai. ENBD is one of the largest banking groups in the Middle East in terms of assets with AED 284.6 billion in total assets as at 31 December 2011. It is also a leading retail banking franchise in the UAE with 112 branches and over 630 automatic teller machines spread across the UAE.

In October 2011, pursuant to the directions of the Ruler of Dubai, ENBD acquired a 100 per cent. stake in Dubai Bank. This acquisition was fully supported by the UAE Central Bank and the UAE Ministry of Finance. Following the acquisition, Dubai Bank became a fully-owned Islamic banking subsidiary of ENBD. In April 2012 Dubai Bank and another subsidiary of ENBD, Emirates Islamic Bank, announced that they had merged their management teams and established a unified executive committee to manage both banks. Integration milestones achieved during the first nine months of 2012 included the integration of ATM networks, head office functions and back office operations, as well as and alignment of products, rates and policies. All capital and medium term funding requirements for Dubai Bank are now managed under ENBD.

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 the 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, built on a 480-hectare site in Jebel Ali, which has the capacity to produce more than one million metric tonnes of high quality finished aluminium products per year. More than 92 per cent. of DUBAL's total production is exported to global markets. More than 300 customers are served in over 50 countries, with key markets including the Far East, Europe, the ASEAN region, the Middle East, the Mediterranean region and North America.

Emirates Group

Emirates is the flagship company in the Emirates Group portfolio. Emirates has grown from two aircraft in 1985 to 191 aircraft as at December 2012, and has evolved into a travel and tourism operation on a global scale under the umbrella of the Emirates Group. As at December 2012, Emirates flies to 128 destinations in 74 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 nearly 68,000 people.

*Dubai Duty Free (**DDF**)*

DDF is the Dubai International Airport's sole and exclusive duty free operator. Established in 1983, DDF has since become the single largest airport retail operation in the world in terms of turnover, with annual sales of AED 5.9 billion (approximately U.S.$1.6 billion) in 2012. DDF offers a wide range of products in a modern shopping environment. DDF occupies 26,000 square meters across the three terminals of Dubai International Airport, increased from 16,000 square meters following the opening of the third concourse in January 2013. DDF employs over 5,200 people and includes more than 109 stores.

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. DUCAB has also entered into a joint venture with DEWA and ADWEA known as DUCAB-HV, which manufactures high voltage cables from a dedicated facility which began operations in November 2011.

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 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 fulfiling their repayment obligations. Assistance provided by the DFSF is provided on arms length terms. The DFSF's specific objectives are:

- to provide financial support to strategic projects 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; and
- to collect and re-invest revenues of loan instruments.

The DFSF was established in July 2009 by Law No. 24 of 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 of Dubai 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 to 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.$9.8 billion of the Government's U.S.$20 billion five-year unsecured borrowing programme launched in March 2009. See "*Indebtedness – Related Party Debt*" for further details.

The Government does not publish any official estimates of any outstanding GRE indebtedness. The Government 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 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 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's Support of Strategic Government-Related Entities and the Restructuring of the Dubai World Group*").

In March 2011, Law No. 24 of 2009 was amended to ensure that any entities applying for financial support from the DFSF must provide real security and financial guarantees that secure the performance of their obligations towards the DFSF. This security and these guarantees are required to 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 and non-government entities towards third parties.

The Government's Support of Strategic Government-Related Entities and the Restructuring of the Dubai World Group

The Government owns, or has significant investments in, GREs which have played a significant role in supporting and facilitating the Government'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 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 in relation to Dubai World and certain of its subsidiaries (the **Dubai World Group**) are set out below:

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

On 13 December 2009, the Ruler of Dubai issued Decree No. 57 for 2009 establishing a special tribunal (the **Tribunal**) to decide disputes related to the settlement of the financial position of Dubai World and its subsidiaries. Decree No. 57 is intended to facilitate the restructuring of a Dubai World Group company by allowing that 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". The Tribunal is empowered to supervise a voluntary arrangement or any liquidation proceedings relating to a Dubai World Group company initiated by the Tribunal. The Tribunal presently consists of four senior judges of 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 as the basic legal framework for its law.

On 28 August 2012, the Tribunal formally approved the restructuring of approximately U.S.$2 billion of debt of Drydocks World LLC and Drydocks World – Dubai LLC (together, **Drydocks**) under a new syndicated term loan facility and separate hedging agreements. The restructuring was implemented with the support of all but one of Drydocks' creditors, with the sole dissenting creditor representing approximately 2 per cent. of total claims.

DFSF Interim Funding of the Dubai World Group

On 14 December 2009, the Government announced that the Government of Abu Dhabi had agreed to provide funding of up to U.S.$10 billion to the DFSF (see "*Indebtedness – 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 Restructuring

On 25 November 2009, Dubai World, with the support of the Government, announced its intention to seek a standstill with the lenders of the Dubai World Group in respect of the indebtedness of the Dubai World Group and initiated the restructuring process in order to ensure the continuity of the Dubai World Group's business operations. Subsequently, a coordinating committee of seven banks was formed to represent the interests of the lenders.

On 28 November 2010, Dubai World announced that it had 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 issued a decree for establishing a new Board of Directors of Dubai World, with Sheikh Ahmed bin Saeed Al Maktoum, the Chairman and CEO of Emirates, as the new chairman of Dubai World.

On 23 March 2011, Dubai World and all of its lenders executed a new facilities agreement as the definitive documentation for its restructuring. Dubai World's restructuring was fully implemented on 29 June 2011. Dubai World's post-restructuring financial indebtedness was approximately U.S.$14.4 billion in total, comprising two tranches of U.S.$4.4 billion and approximately U.S.$10.0 billion, with five- and eight-year maturities, respectively.

The Government also 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 (of which U.S.$800 million has been provided as at the date of this Base Prospectus); and (iii) provide a stop-loss guarantee of U.S.$2.2 billion in respect of certain of Dubai World's post restructuring financial indebtedness.

Nakheel Restructuring

On 14 July 2010, Nakheel held a formal meeting in Dubai with creditor banks to formally present the restructuring of certain existing indebtedness of Nakheel and certain of its subsidiaries together with any related security and guarantees in respect thereof. The terms of the Nakheel restructuring were approved and the restructuring was implemented on or about 24 August 2011 on a contractual basis through binding agreements with Nakheel's creditors.

Following the implementation date, in consideration of the distributions made pursuant to the Nakheel restructuring, facilities relating to Nakheel's existing indebtedness were amended and restated, or otherwise terminated on commercial terms. The claims of trade creditors and customers were addressed in the manner described below.

The Nakheel restructuring caused trade and financial claims against Nakheel to be reduced from AED 59.32 billion to AED 17.61 billion as a result of a substantial recapitalisation of the business through the injection of AED 26.78 billion of new capital and the equitisation of existing claims by the Government through the DFSF.

Trade Creditors

Holders of unsecured trade claims against Nakheel that arose under certain contractor, consultancy and supplier contracts received an initial upfront cash payment equal to the lesser of: (i) AED 500,000; and (ii) the amount of their trade claims.

Subject to the initial upfront cash payment and provided that certain terms and conditions were satisfied, trade creditors with trade claims in excess of AED 500,000 received a cash payment from Nakheel in an amount equal to 40 per cent. of the outstanding balance of their agreed claim. The remaining 60 per cent. of the outstanding balance was settled by an issuance to trade creditors of *sukuk* certificates maturing in August 2016 under Anka'a Sukuk Limited's AED 8.5 billion Notes Issuance Programme. As at the date of the most recent issuance under this programme in January 2013, approximately AED 4.1 billion of *sukuk* certificates were outstanding.

Customers

Nakheel continues to offer its customers that remain invested in suspended, cancelled and longer-term projects the option of receiving an assignable credit (equivalent to 100 per cent. of their instalment payments) and the option to exchange their unit in such projects for a unit in an ongoing project at current market values. Those customers invested in suspended, cancelled and longer-term projects that do not want to exchange their unit for a unit in a project nearing completion will either move onto a revised payment schedule in respect of their unit, or hold their assignable credit until 31 March 2015. Nakheel's customers may also to exchange their credit during this period for property in a near-term project. Customers still holding credits on 31 March 2015 will be given cash equal to the face value of that credit.

Nakheel Separation

The Nakheel restructuring involved the separation of the Nakheel Group (and any assets deemed to be material to the operation of the Nakheel Group) from the rest of the Dubai World group. As such, all the existing shares of the Nakheel Holdings Companies were directly or indirectly transferred and delivered to the DFSF. In consideration for the delivery of such shares, the DFSF released Nakheel from all of its obligations and liabilities under the various support facilities extended to the Nakheel Group by the DFSF during the course of the Nakheel restructuring.

Ongoing Equity Contribution Agreement

The DFSF has, pursuant to an ongoing equity contribution agreement entered into between, amongst others, Nakheel and the DFSF, committed to investing AED 8.88 billion (U.S.$2.42 billion) across two tranches as equity into the Nakheel holding companies. This funding shall be used, amongst other things, to meet payments of interest/profit/rental, fees and debt service due in respect of the restated facilities, for distributions to trade creditors, to implement Nakheel's operational plan and for general corporate purposes and contingencies.

As at 31 December 2012, the total amount of funding invested by the DFSF (directly or indirectly) in Nakheel pursuant to the Nakheel restructuring was approximately AED 11.58 billion (U.S.$3.15 billion), from a total commitment of AED 26.78 billion (U.S.$7.30 billion).

Performance Guarantee

In addition to the DFSF funding, the Government (acting through the DoF) provided a performance guarantee of Nakheel's post-restructuring obligations arising under an amended and restated *ijara* facility in an amount of U.S.$246 million which will mature in 2017.

Law No. 35 of 2009

In December 2009, the Ruler of Dubai issued Law No. 35 of 2009 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. In September 2012, Law No. 35 of 2009 was amended by Law No. 5 of 2012, implementing new requirements for government departments and GREs that have financial autonomy and an independent budget.

INDEBTEDNESS

The public finances of the Government are cash based which results in temporary mismatches between revenues and expenses. The Government 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 must 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 was AED 122.0 billion as at 31 December 2012. This debt includes funds borrowed by the Government 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 also has contingent liabilities under guarantees incurred by it (see "*Guarantees and Contingent Obligations*" below).

The following table sets out a breakdown of the Government's outstanding direct debt:

Description	**Amount (AED millions)(1)**	**Maturity**
Public Notes		
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
Dubai DoF Wakala Sukuk (Unrated)	3,673.00	2016
Euro Medium Term Notes (Unrated)	2,754.75	2020
Euro Medium Term Notes (Unrated)	1,836.50	2021(3)
Dubai DoF Sukuk (Unrated)	2,203.80	2017
Dubai DoF Sukuk (Unrated)	2,387.45	2022
Bilateral / Syndicated Facilities		
Ijara Facility	562.50	2013/2015
Investment Corporation of Dubai(2)	13,470.16	2013/2016/2017
Term Loan Facility	1,183.61	2014/2016
Govt of Dubai – DoF China Construction Bank Facility	3,712.46	2017
Others	1,279.06	2014/2017/2024
Related Party Debt (U.S.$20 billion facility)		
Govt of Dubai U.S.$10 billion Notes	36,730.00	2014
DoF – Abu Dhabi U.S.$10 billion Facility (fully drawn)	36,730.00	2014
Total Direct Debt	**121,951.05**	

Source: DoF

Note:

(1) Unless otherwise stated, the figures provided in this table are as at 31 December 2012.

(2) Debt held at holding company level only (as at 31 October 2012).

(3) Investor put option on 22 June 2016.

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 year ended 31 December 2012 are audited.

Euro Medium Term Note (EMTN) Programme

In April 2008, the Government 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 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, supplemented in September 2010 and updated again in June 2011, at which time the aggregate nominal value of the notes issuable under the EMTN Programme was increased to U.S.$5 billion. The programme was, at the time of its establishment in April 2008, also listed on the London Stock Exchange in addition to the Dubai Financial Market. In September 2010, the Government issued under the EMTN 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.

In June 2011, the Government issued U.S.$500 million fixed-rate notes under the EMTN Programme with a 10-year tenor. The notes were issued at a coupon of 5.591 per cent. (paid semi-annually in arrear) maturing on 22 June 2021 with an investor put option on 22 June 2016.

Notes Issuance Programme

In October 2009, the Government, 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 Notes Issuance Programme (the **Notes Issuance Programme**). The Notes Issuance Programme was, at the time of its establishment in October 2009, listed on the London Stock Exchange and the Dubai Financial Market.

Under the Notes Issuance Programme, in 2009 the Government issued (i) U.S.$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 Notes 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, 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 Notes Issuance Programme. Under this Programme, in March 2011, the Government 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). Subsequently, in October 2011, the Government issued under this Programme U.S.$431 million floating-rate certificates maturing on 25 October 2016, carrying a profit rate of three-month LIBOR + 3.75 per cent. (paid quarterly in arrear). The proceeds of both issuances were used to fund the expansion of Dubai International Airport.

The Notes Issuance Programme was updated in April 2012, at which time the aggregate nominal value of the certificates issuable under the Notes Issuance Programme was increased to U.S.$5 billion. The Notes Issuance Programme was sole-listed on the Dubai Financial Market. In May 2012 the Government issued under the Notes Issuance Programme (i) U.S.$600 million fixed rate certificates, with a five year tenor and a profit rate of 4.90 per cent. (paid semi-annually in arrear) maturing on 2 May 2017 and (ii) U.S.$650 million fixed rate trust certificates, with a ten-year tenor and a profit rate of 6.45 per cent. (paid semi-annually in arrear) maturing on 2 May 2022. The proceeds of both issuances were used to fund the expansion of Dubai International Airport and for repayment of other liabilities.

Bilateral and Syndicated Facilities

In March 2010, the DoF entered into an AED 1 billion *ijara* facility. This 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 at 31 December 2012, AED 562.5 million was outstanding under this facility.

In March 2010, as part of the Dubai World Group restructuring plan, the Government 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. This facility is due to mature in March 2017.

In May 2011, the DoF entered into an AED 640 million bilateral term loan facility. The term loan is being repaid in 40 monthly installments from June 2011 and the residual balance is to be settled on the final maturity date. In November 2011 and May 2012, AED 214 million and AED 75 million respectively of this facility were prepaid. As at 31 December 2012, AED 249.3 million was outstanding under this facility.

In February 2012, the DFSF entered into an AED 934 million bilateral term loan facility. The term loan facility is expected to be repaid in full by way of a single instalment in December 2016.

In December 2012, the DFSF entered into an AED 734 million bilateral *wakala* facility. This facility will be repaid in 16 equal quarterly instalments, the last of which is due in December 2017.

Export Credit Facilities

On 27 February 2012, the DoF entered into a facilities agreement with a consortium of banks, consisting of a U.S.$401 million conventional facility supported by comprehensive guarantees from the French export credit agency, Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE) and the Belgian export credit agency, Office National du Ducroire (ONDD), amortising over 10 years commencing in 2015. The facilities also consisted of a six-year U.S.$274 million ijara facility, split equally between U.S.$ and AED, amortising over three years commencing in 2015 and to be drawn down over a period of 36 months commencing from March 2012. As at 31 December 2012, U.S.$104 million was outstanding under the ijara facility and U.S.$44 million under the export credit agency facility.

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, 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 U.S.$10 billion in aggregate on similar terms.

Guarantees and Contingent Obligations

In addition to its direct debt, the Government has also provided guarantees amounting to AED 11.02 billion in relation to the financial obligations of DEWA (see "*Economy of Dubai – Energy*") under its securitisation programme. As at 30 September 2012, AED 4.6 billion was outstanding under DEWA's securitisation programme.

For a description of the Government's obligations under the shortfall guarantee of U.S.$2.2 billion relating to the restructuring of Dubai World, see "*Dubai World Restructuring*".

For a description of the Government's obligations under the performance guarantee of approximately U.S.$246 million relating to the restructuring of one of Nakheel's outstanding debt facilities, see "*Public Finance – Nakheel Restructuring – Performance Guarantee*".

The Government has provided a guarantee for an amount of approximately AED 10.11 billion in support of the RTA's obligations to contractors. As at 31 December 2012, AED 5.28 billion was outstanding under such agreements, see "*Dubai Metro and Al Sufouh Tramway*".

The Government has also provided guarantees for AED 2.0 billion in support of the potential liabilities of other entities.

The RTA in conjunction with the DoF entered into a dual tranche (conventional and Islamic) secured syndicated financing under which a government-owned, DIFC-incorporated special purpose company, Salik One SPC Limited, became the obligor under a facility which monetised the revenues generated by the Salik toll system operated by the RTA. The Government has contingent obligations in relation to the financial obligations incurred by Salik One SPC Limited, in specific circumstances including change of control of Salik One SPC Limited, suspension or abandonment of the Salik toll system or extended force majeure in respect of the Salik toll system. As at 31 December 2012, AED 2.32 billion was outstanding under this monetisation facility.

Pursuant to a deed of undertaking and subordination entered into in June 2012 between the DoF, DIFC Investments LLC and ENBD, the DoF is obliged to provide to DIFC Investments LLC liquidity support with a five-year tenor, up to a maximum amount of approximately U.S.$450 million. This liquidity support has not yet been drawn.

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

Debt Management Office

In May 2010, the Government announced plans to set up a debt management office (the **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 Securities and Commodities Authority (**SCA**) was established by Federal Law No. (4) of 2000. SCA 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 SCA 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 SCA. DFM can help facilitate this process.

Listing Requirements

In order to obtain the approval from SCA 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). The Government is not required to obtain either of these approvals.

Commencement of Trading

Once approval to list is granted by the SCA 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 SCA. 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. 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 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. In the event of the imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

The Constitution of the UAE specifically reserves to the federal government of the UAE the right to raise taxes on a federal basis for the 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.

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 21 January 2013 (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 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 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 and Treasury regulations promulgated thereunder.

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

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.

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 Markets 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 any offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the **Offer of Securities Regulations** as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the **KSA Regulations**). 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 will not be directed at more than 60 Saudi Investors (excluding "Sophisticated Investors" (as defined in Article 10 of the KSA Regulations)) and the minimum amount payable per Saudi investor (excluding Sophisticated Investors) will be not less than Saudi Riyal 1 million or an equivalent amount.

Each offer of Notes shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 10 or Article 11 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Notes are offered or sold to a "Sophisticated Investor" (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 Subscription Agreement or other agreement between the Issuer and the relevant Dealers 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 21 January 2013 [and the supplement[s] to it dated [●] [and [●]] (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is 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*] which are incorporated by reference in the Base Prospectus dated [*current date*]. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Base Prospectus dated [*current date*] [and the supplement[s] to it dated [●] and [●]] (the **Base Prospectus**),] including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is 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.]

[*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:	[ ]
			(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).

3	Specified Currency or Currencies:		
4	Aggregate Nominal Amount of Notes:		
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
5	(i)	Issue Price:	[ ]
	(ii)	Net proceeds:	[ ]
6	(i)	Specified Denominations:	[ ]
		(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made)	(*Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:* "*[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000*].") (*N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive (Directive 2003/71/EC), the €100,00] minimum denomination is not required*)
	(ii)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination)* *(If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*)
7	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date:	[*Specify/Issue date/Not Applicable*]
8	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9	Interest Basis:		[[ ] per cent. Fixed Rate] [[*specify reference rate*] +/- [ ] per cent. Floating

		Rate] [Zero coupon] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount [Other (*specify*)]
		[ ] 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*)
		[ ]
11	Change of Interest Basis:	[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 16 and 17 below and identify there*][Not Applicable]
12	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13	(i) Status of the Notes:	Senior
	(ii) [Date of approval for issuance of Notes obtained:	[ ] (*N.B Only relevant where specific authorisation is required for the particular tranche of Notes*)]
14	Listing	[ ] (specify)/None]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	**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 in arrear on each Interest Payment Date *(If payable other than annually, consider*

			amending Condition 4)
	(ii)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date [*specify Business Day Convention and any applicable Additional Business Centre(s) for the definition of "Business Day"]/not adjusted*] (*Amend appropriately in the case of irregular coupons*)
	(iii)	Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
	(iv)	Broken Amount(s):	[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
	(v)	Day Count Fraction:	[30/360] [Actual/Actual] [(ICMA)]
	(vi)	Determination Dates:	[[ ] in each year] [Not Applicable] (Only relevant where Day Count Fraction is Actual / Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.
16	**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 of Interest and Interest Amount is to	[Screen Rate Determination/ISDA Determination]

be determined

(viii)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the [Calculation Agent]):	[ ]
(ix)	Screen Rate Determination:	
	– Reference Rate:	Reference Rate: [ ] month [LIBOR / EURIBOR / specify other Reference Rate]
	– Relevant Financial Centre:	Relevant Financial Centre: [London / Brussels / specify other Relevant Financial Centre]
	– Relevant Time:	[ ] (in the time zone of the Relevant Financial Centre)
	– 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)	ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity	[ ]
	– Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
(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 *(See Condition 4 for alternatives)*
17	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Amortisation Yield:	[ ] per cent. per annum
	(ii)	Reference Price:	[ ]
	(iii)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

18	**Call 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)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[ ] per Calculation Amount
		(b) Maximum Redemption	[ ] per Calculation Amount

		Amount:	
	(iv)	Notice periods	Minimum period: [ ] days Maximum period: [ ] days *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)*
19	**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 periods	Minimum period: [ ] days Maximum period: [ ] days *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)*
20	**Final Redemption Amount of each Note**		[ ] per Calculation Amount
21	**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

22	Form of Notes:	Bearer Notes: [Temporary Bearer Global Note exchangeable for

		a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes only upon an Exchange Event]
		[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]
		[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes only upon an Exchange Event]
		[*Bearer Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law 14 of December 2005*]
		Registered Notes:
		[Registered Global Note registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg]]
23	Talons for future Coupons to be attached to Definitive Bearer Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

RESPONSIBILITY

[[●] 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: ______________________________	By: ______________________________
Duly authorised	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 and, if relevant, listing on an official list*] 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 and, if relevant, listing on an official list*] with effect from [●]].] [Not Applicable.]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

3 [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.]

4 OPERATIONAL INFORMATION

ISIN Code:	[ ]
Common Code:	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/give name(s), and number(s) [and address(es)]]
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 will 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 the DFM Official List and to trading on the DFM will be admitted separately as and when issued, subject only to the issue of a Global Note in respect of each Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by the DFM 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, 20 October 2009 and 31 May 2011. The 2013 update of the Programme was authorised by the Supreme Fiscal Committee on 13 January 2013.

(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 2012.

(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, 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 Bearer Notes, the Coupons and the Talons) and the Deed of Covenant;

(ii) the budget for the current fiscal year (as set out on page 101 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 (Directive 2003/71/EC) 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 DFM 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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