ADIB (UK) LIMITED

REPORTS OF THE BOARD OF DIRECTORS AND
FINANCIAL STATEMENTS
Registered Number: 07327879

31 DECEMBER 2017

FINANCIAL STATEMENTS
Year ended 31 December 2017

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FINANCIAL STATEMENTS
Year ended 31 December 2017

Directors

Nuhad Saliba	Chairman
Michael Robert Hanlon	
David John Smith	
Sarvesh Sarup	
Bruno Martorano (Appointed 3 October 2017.)	Chief Executive Officer
Keith George McLeod	Chief Financial Officer

Company Secretary

Amanda Evans

Registered Office

9th Floor
26-28 Hammersmith Grove
London
W6 7HA

Bankers

Barclays Bank plc
128 Moorgate
London
EC2M 6SX

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BOARD OF DIRECTORS REPORT
Year ended 31 December 2017

The Board of Directors have pleasure in submitting their report together with the financial statements of ADIB (UK) Limited (the 'Company' or the 'Bank') for the year ended 31 December 2017.

Principal activity

The activities of the Bank are conducted in accordance with Islamic Shari'a, which prohibits usury, and within the provisions of the Articles and Memorandum of Association. The Bank is an authorised banking institution incorporated in the UK, authorised by the Prudential Regulation Authority (PRA) and regulated by both the PRA and the Financial Conduct Authority (FCA). The Bank is a wholly owned subsidiary of Abu Dhabi Islamic Bank PJSC, Abu Dhabi, UAE.

The Bank provides banking services in London predominantly to ADIB Group priority, high net worth and corporate customers. The Bank also engages in offering property financing to those customers looking to invest in the UK property market.

Basis of preparation of financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.
The Bank's directors have made an assessment of the Banks's ability to continue as a going concern and are satisfied the Bank has the resources to continue in business for the foreseeable future and the Bank is supported by its parent financially. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Financial commentary

The financial statements for the year ended 31 December 2017 are shown on pages 10 to 54. The loss for the year is £3,308,212 (2016: loss of £4,041,486).

The Bank's risk management policies are set out in Note 30 to the financial statements.

Prohibited income

According to the Fatwa and Shari'a Supervisory Board "FSSB", the Bank is required to avoid any transaction or activity deemed to be not acceptable by Shari'a and to identify any income from such source and to set it aside in a separate account (charity account) to be disposed to charity by the Bank under the supervision of the FSSB. There has been no prohibited income earned during the year.

Charitable donations and political contribution

During the year the Bank did not make any charitable donations or political contributions.

Dividends

The Board of Directors do not recommend the payment of a dividend (2016: £Nil).

Organisation and governance

The Board of Directors has overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. The Board is also responsible for providing oversight of senior management.

The Directors who served on the Board of Directors and various Board Committees during the year are set out below together with those noted as appointed subsequently.

BOARD OF DIRECTORS REPORT
Year ended 31 December 2017

1.	Nuhad Saliba[1,2]	Board Member	
2.	David John Smith[1]	Board Member	
3.	Sarvesh Sarup[2]	Board Member	
4.	Michael Robert Hanlon[1, 2]	Board Member	
5.	Masarrat Husain	Board Member	(Resigned on 3 October 2017)
6.	Keith George McLeod	Board Member	
7.	Bruno Martorano	Board Member	(Appointed on 3 October 2017)

None of the directors had any beneficial interest in the share capital of the Bank or any other ADIB Group Company at any time during the year.

Key to Board Committees:

[1]Denotes member of Audit & Risk Committee
[2]Denotes member of Remuneration & Nomination Committee

Board meetings are held at least four times a year. The board has formed the following committees to set policy, review progress and to deal with specific and critical issues relevant to the committee's objectives. The committees and their responsibilities are:

Board Audit & Risk Committee

The Audit & Risk Committee (ARC) is appointed by the Board to act as both the Board's Risk Committee and Audit Committee as defined in the FCA Handbook combined view Senior Management Arrangements, Systems and Controls and in the PRA Statutory Audit Directive. The ARC has the responsibility to ensure that the Bank's operations are adequately supported by a comprehensive and proportionate risk management framework. It assists the Board in fulfilling its oversight responsibilities in respect of the following:

- The integrity of the Bank's financial statements and financial reporting processes
- The effectiveness of the Internal, External Audit functions
- The effectiveness of the Risk Management and Internal Control systems
- Compliance with the Bank's legal and regulatory requirements

Key responsibilities of the ARC include:

Financial Statements and Reporting
- Review the statutory financial statements and regulatory disclosures for compliance with all regulatory requirements and ensure appropriateness of the accounting policies
- Review the significant financial reporting issues and judgments made in connection with the preparation of the financial statements
- In particular, review any material changes in accounting policies, material amendments recommended by the auditors, any matters subject to management's judgment, and any other significant or unusual matters
- Review the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are in compliance with legal requirements
- Review with the External Auditor's findings including any major issues that arose during the course of the audit

Audit
- Ensure the establishment of a robust and comprehensive internal audit framework
- Review and recommend to the Board the appointment, evaluation and removal of internal and external auditors
- Review and approve the annual risk-based audit plans of both the internal and external auditors.
- Ensure that audit findings are acted upon by the management in a timely manner
- Ensure the independence, and review the effectiveness, of internal and external audit

- Where the internal audit function is outsourced, ensure that an appropriate agreement or SLA has been established and is monitored

Risk Management and Internal Control System

- Review and approve risk policies in accordance with the authority delegated by the Board
- Review the Bank's internal control systems and assess control effectiveness
- Review the Bank's aggregated risk profile in the context of its risk appetite
- Liaise with the Remuneration & Nomination Committee (RNC) on the Bank's remuneration framework as needed
- Review compliance with corporate governance standards by management through the periodic review of the minutes of management committees

Compliance

- Ensure that the Bank is compliant with all relevant laws and regulations and review the effectiveness of the Bank's compliance management framework
- Ensure that the Bank has adequate and effective AML, KYC and sanctions monitoring policies, procedures and processes in place
- Review the findings of any examinations by authorities or regulatory agencies and ensure timely management actions

The ARC is chaired by an Independent Non Executive Director and meets at least quarterly.

Remuneration & Nomination Committee (RNC)

The RNC is a Board-level committee with responsibility for nominating and recommending for the approval of the Board, additional or alternative Board members, Board-level Committee members and Senior Management appointments in the Bank.

It also has responsibility for considering and recommending to the Board an overall remuneration policy aligned to its long-term objectives and risk appetite. The RNC ensures that remuneration decisions compensate executives and employees fairly and responsibly. It also ensures that compensation policies are in line with the UK Remuneration Code which seeks to reinforce greater responsibility and accountability by strengthening the alignment of risk and reward and discouraging excessive risk taking.

Key responsibilities of the RNC are:

Strategic

- Consider and recommend to the Board an overall remuneration policy aligned to the Bank's business and risk strategies and risk appetite
- Ensure that the remuneration and benefits provided to senior management are reasonable and aligned to the Bank's performance
- Determine the design, eligibility and targets for any long term performance related pay schemes and review performance against these targets

Operational

- Determine the overall manpower requirements of the Bank
- Appoint, employ or retain such professional advisors as the committee may consider appropriate
- Ensure that conflicts of interest are identified and resolved in the determination of remuneration
- Satisfy itself as to the accuracy of performance measures that govern quantum of incentives
- Review HR issues, including employee retention, talent development, motivation and commitment and succession planning for senior management positions

Risk Management

- Liaise with the ARC and CRO on remuneration affairs in the broader context of risk management and Regulatory rules
- Ensure that risks arising from the Bank's remuneration policy are appropriately managed and remuneration structures and incentive pay-outs do not encourage excessive risk taking

Review
- Review all appraisals of the CEO and Senior Management and approve their compensation including bonuses
- Review and approve any non-standard compensation payments
- Review, at least annually, the remuneration policy to ensure that members of senior management are provided with appropriate incentives
- Review, on an annual basis, the policy for remuneration, benefits and incentives of all employees
- Ensure that remuneration levels are benchmarked to industry peers on a periodic basis

The RNC is chaired by a Non Executive Director and meets at least twice a year.

Directors' Liabilities

The Bank has indemnified all directors of the Bank against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

Financial Risk Management & Exposures

The Bank's financial risk management and exposures are detailed in note 30 in the Financial Statements

Future Developments

The Bank believe that the its bespoke financing solutions, and personal banking offering will facilitate business growth, and that its client base will continue to view the UK as the investment destination of choice outside of the Middle East.

Going Concern

The Directors have reviewed the business activities and financial position of the Bank and have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. In particular the Directors have assessed the Bank's five year business plan. In making this assessment the Directors have considered a wide range of information about the current and future condition of the Bank and including the strategic direction, activities and risks that affect the financial position. For these reasons the financial statements have been prepared on a going concern basis.

Disclosure of Information to the Auditors

The Directors who held office at the date of approval of this Directors' report confirm that so far as they are each aware there is no relevant audit information of which the Bank's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

Auditors

Ernst & Young LLP (EY) were appointed as auditors during the prior period and will continue in office in accordance with Section 487 of the Companies Act 2006.

On behalf of the Board

Bruno Martorano
Chief Executive Officer
13th March 2018
UK

Strategic Report

The Bank, a wholly-owned subsidiary of Abu Dhabi Islamic Bank PJSC ("ADIB"), provides personal banking services in London to High Net worth Individual (HNWI) customers of ADIB Group (ADIB and all of its subsidiaries). The Bank seeks to be the preferred choice in the UK for these ADIB Group customers today.

The Bank's activities are conducted in accordance with Islamic Shari'a principles. The Bank offers current accounts, accepts deposits, facilitates transactional and payment requirements, and offers financing to these customers. The Bank's strategy is to build a sustainable banking business in the London market that will serve these and other individuals and entities from the Middle East and North Africa through the delivery of a full banking service model including deposit and credit products to HNWI customers based in these countries. The success of the Bank will be built on providing superior customer service and treating customers fairly, both values enshrined in Abu Dhabi Islamic Bank PJSC's domestic franchise in the UAE.

The key risks currently faced by the Bank are credit risk, operating risk and reputational risk, these are mitigated by the strong risk management culture, and corporate governance structure which exist within the Bank. Shari'a non-compliance risk is another key risk that the Bank faces. This is the risk that arises from the failure to comply with the Shari'a rules and principles determined by the Fatwa and Shari'a Supervisory Board of the Bank. The Bank has in place robust procedures and controls to mitigate the incidence of losses attributed to Shari'a non-compliance risk the Bank is subject to internal Shari'a audits to ensure adherence to rules and principles laid out.

During 2017, the Bank reaffirmed its commitment to providing customers with bespoke financing solutions for their real estate investments, together with personal banking services from its prestigious One Hyde Park Branch. The Bank increased its Ijara financing to customers during the year by 10%, the pipeline of new potential financing deals is strong and increasing, reflecting the continuing appetite from the Middle East for UK Real Estate assets. The overall loss for the year of £3.3m (2016:£4.0m) reflects the full year revenue benefit of the financing assets booked in 2016, this was the principal driver behind the Bank's revenue increasing by 68% over 2016. The Bank is still at an early stage of development, and does not believe that it is meaningful to disclose KPIs at this stage. The Bank retains the confidence of ADIB Group.

This year saw the retirement of Masarrat Husain as Chief Executive Officer, on behalf of the Board of Directors I would like to formally record my thanks to Masarrat for his skill and dedication to ADIB UK. I was appointed in October 2017 with a brief to continue to develop and grow the Bank's real estate financing proposition, and banking service model.

Following the UK's vote to leave the European Union in 2016, the immediate doomsday economic scenario envisaged by many for the UK does not yet appear to have materialized. There does however continue to be significant uncertainty about the future direction for the UK Banking community. ADIB UK's client base derives the bulk of its wealth from the Middle East, and so is less directly impacted by Brexit uncertainty. Whilst there will undoubtedly continue to be short term volatility in most markets, the Bank continues to believe that Brexit and the weakening pound presents its HNWI Group customers with a good opportunity to invest in the UK market.

Given the Bank's strong liquidity and capital position, and experienced management team, the Board continues to believe that the Bank is well placed to deliver the exceptional client service our customers expect, and to facilitate the investment opportunities identified by our customers.

On behalf of the Board

Bruno Martorano
Chief Executive Officer
13th March 2018
UK

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Year ended 31 December 2017

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the independent auditors report on page 8, is made by the directors to explain their responsibilities in relation to the preparation of the Director's Report, Strategic Report and Financial Statements.

The directors are responsible for preparing the Directors' Report, Strategic Report and the Financial Statements in accordance with applicable Law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance; and
- state that the Bank had complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Bank, and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. For this reason, the financial statements are prepared on a going concern basis.

INDEPENDENT AUDITOR's REPORT TO THE MEMBERS OF ADIB (UK) LIMITED
Year ended 31 December 2017

Opinion

We have audited the financial statements of ADIB (UK) Limited (the "Bank") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 35, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

- In our opinion, the financial statements:
- give a true and fair view of the Banks's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Bank's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

• Key audit matters	• Risk of management override in respect of income from ijara and investment income from sukuk • Impairment of loans as a result of changes in credit quality or collateral valuation
• Materiality	• Overall materiality of £0.75m which represents 2% of net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Risk of management override in respect of income from ijara and investment income from sukuk Investment income from sukuk: £1,150,302 (2016: £944,022) Income from ijara and other Islamic financing with customers: £2,932,410 (2016: £1,343,123) Refer to the accounting policies (note 4) and notes 6 and 7 of the financial statements. There is a risk of management override in respect of income from sukuk and ijara, due to manual elements of the process. Incorrect recording of terms of agreements could result in revenue being misstated or recorded in the incorrect accounting period.	Our approach focused on: • Obtaining an understanding of and testing that the key controls (input and calculation controls) around the revenue recognition process are designed and implemented effectively, with the assistance of EY IT audit professionals, where required; • Recalculating all income recognised from sukuk and agreeing the inputs to the calculation to the underlying contracts and agreements; • Recalculating all income from ijara and agreeing the inputs to the calculation to the underlying contracts and agreements; and • Performing testing of a sample of items either side of the year-end to ensure revenue is recognised in the correct period.	We concluded that income from ijara and investment income from sukuk were appropriately recorded. We also concluded that income has been recorded in the correct period in compliance with IFRS.
Impairment of loans as result of changes in credit quality or collateral valuations Ijara and other Islamic financing: £77,904,633 (2016: £70,986,116) Impairment: £nil (2016: £nil) Refer to the accounting policies (note 4) and note 16 of the financial statements.	Our approach focused on: • Obtaining an understanding of and testing the effectiveness of key controls related to onboarding and monitoring of ijara and Islamic financing facilities, including, among others, controls around facility booking, ageing and credit monitoring;	As a result of the procedures performed we are satisfied that management's judgements are reasonable and that there is no evidence of material misstatement in carrying amount of loans.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of loans requires significant judgement and estimates by management and external valuers (for collateral valuation). There is a risk that credit loss events might not have been identified by the Bank, or there could be a significant decrease in collateral valuations, or provisions for such events not appropriately estimated, which could result in the overstatement of the net loans balance.	• For all loans, evaluating the credit files, financial information of customers, early warning indicators, collateral arrangements and valuation, as well as publicly available information that we judge to be relevant, in order to assess the credit quality of customers; • For all loans, testing that loan repayments had been received in line with credit agreements by inspecting bank statements; • For all loans, obtaining and checking the security documents to assess the existence of collateral; and • For all loans, obtaining the latest valuation reports prepared by management’s specialists in relation to collateral held, assessing the reasonableness of methodologies applied in the valuations, and validating that loan to value ratios support the existing carrying values of the loans.	

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Bank. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Bank and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team. This team was supported by (i) IT audit professionals in EY Abu Dhabi in respect of the audit work on IT systems and (ii) EY Abu Dhabi team for audit of certain financial statement line items which are managed at Head Office level.

Our application of materiality

- We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

- The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

- We determined materiality for the Bank to be £0.75 million (2016: £0.82 million), which is 2% (2016: 2%) of net assets. We determined our materiality based on net assets because the Bank has not been profitable historically. Also, our expectation is that the main users of the financial statements, such as the Prudential Regulation Authority and the ultimate controlling party, view net assets as a key consideration.

- During the course of our audit, we reassessed initial materiality and as the actual net assets of the Bank did not differ significantly, we retained materiality at £0.75 million.

Performance materiality

- The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

- On the basis of our risk assessments, together with our assessment of the Bank's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £0.56m (2016: £0.62m). We have set performance materiality at this percentage after assessing the Bank's overall control environment and prior period's misstatements.

Reporting threshold

- An amount below which identified misstatements are considered as being clearly trivial.

- We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.04m (2016: £0.04m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

- We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 7, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- The strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant were the regulations, license conditions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

  We understood how the Bank complies with these legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Bank and UK regulatory bodies; reviewed minutes of the Board and Audit & Risk Committee; and gained an understanding of the Bank's approach to governance, demonstrated by the Board's approval of the Bank's governance framework and the Board's review of the Bank's risk management framework ('RMF') and internal control processes.

- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Bank has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors.

INDEPENDENT AUDITOR's REPORT TO THE MEMBERS OF ADIB (UK) LIMITED
Year ended 31 December 2017

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved inquiries with legal counsel and senior management, and focused testing, as referred in the Key Audit Matters section above.

- The Bank operates in the banking industry which is a highly regulated environment. As such the Senior statutory auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Board of Directors on 28 June 2012 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods.

- The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 December 2012 to 31 December 2017.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting the audit.

- The audit opinion is consistent with the additional report to the Audit Committee

Ernst & Young LLP

Helen Joseph *(Senior statutory auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16th March 2018

Notes:

1. The maintenance and integrity of the **ADIB (UK) Limited's** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	Notes	***31-Dec 2017 GBP***	*31-Dec 2016 GBP*
OPERATING INCOME			
Income from murabaha and wakala with financial institutions	5	10,812	71,344
Investment income on sukuk	6	1,150,302	944,022
Income from ijara and other Islamic financing with customers	7	2,932,410	1,343,123
Fees and commission income, net	8	203,509	53,256
Foreign exchange (loss)/gain		(449,119)	149,088
Fair value gain/(loss) on forward wa'ad foreign exchange undertakings	19	22,608	(265,840)
		3,870,522	2,294,993
OPERATING EXPENSES			
Employees' costs	9	(3,109,517)	(2,498,701)
General and administrative expenses	10	(2,861,462)	(2,892,512)
Depreciation	21	(514,200)	(597,911)
		(6,485,179)	(5,989,124)
LOSS FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS		(2,614,657)	(3,694,131)
Distribution to depositors	11	(693,555)	(347,355)
Loss before taxation		(3,308,212)	(4,041,486)
Corporation tax credit	12	-	-
Loss for the year after taxation		(3,308,212)	(4,041,486)
OTHER COMPREHENSIVE INCOME Amounts that will be recycled to profit and loss			
Changes in fair value for available for sale sukuk			
Realised loss on sale of AFS		124,921	98,539
Cumulative changes in fair value		(334,487)	132,518
Total comprehensive loss for the year		(3,517,778)	(3,810,429)

The attached notes 1 to 35 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	***31-Dec 2017 GBP***	*31-Dec 2016 GBP*
ASSETS			
Cash	13	214,067	144,693
Balances with Islamic banks and other financial institutions	14	15,447,493	19,683,030
Murabaha and wakala deposits with financial institutions	15	-	7,000,425
Ijara and other Islamic financing	16	77,915,755	70,986,116
Investment securities available for sale	17	52,752,834	56,000,378
Investments securities held to maturity	18	739,963	811,061
Shari'a alternative for derivative financial instruments	19	297,280	-
Other assets	20	957,254	898,114
Property and equipment	21	970,265	1,360,797
TOTAL ASSETS		**149,294,911**	**156,884,614**
LIABILITIES			
Due to financial institutions	22	79,045,497	76,329,893
Depositors' accounts	23	30,786,941	37,254,232
Shari'a alternative for derivative financial instruments	19	-	117,329
Other liabilities	24	1,498,329	1,701,238
TOTAL LIABILITIES		111,330,767	115,402,692
EQUITY			
Share capital	25	58,041,000	58,041,000
Accumulated losses		(19,987,870)	(16,679,658)
Cumulative changes in fair value of Available for Sale sukuk		(88,986)	120,580
Total equity		37,964,144	41,481,922
TOTAL LIABILITIES AND EQUITY		**149,294,911**	**156,884,614**

Bruno Martorano
Chief Executive Officer
13th March 2018

Keith McLeod
Chief Financial Officer
13th March 2018

The attached notes 1 to 35 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2017

	Share Capital *GBP*	*Accumulated losses* *GBP*	*Available for Sale Reserve changes in fair value* *GBP*	*Total* *GBP*
Balance at 1 January 2016	58,041,000	(12,638,172)	(110,477)	45,292,351
Share capital issued	-	-	-	-
Loss for the year after taxation	-	(4,041,486)	-	(4,041,486)
Realised gain on sale of AFS securities	-	-	98,539	98,539
Cumulative changes in fair value of Available for Sale Sukuk	-	-	132,518	132,518
Balance at 1 January 2017	**58,041,000**	**(16,679,658)**	**120,580**	**41,481,922**
Share capital issued	-	-	-	-
Loss for the year after taxation	-	(3,308,212)	-	(3,308,212)
Realised loss on sale of AFS securities	-	-	124,921	124,921
Cumulative changes in fair value of Available for Sale sukuk	-	-	(334,487)	(334,487)
Balance at 31 December 2017	**58,041,000**	**(19,987,870)**	**(88,986)**	**37,964,144**

The attached notes 1 to 35 form part of these financial statements.

STATEMENT OF CASHFLOWS
Year ended 31 December 2017

	Notes	***31-Dec 2017 GBP***	*31-Dec 2016 GBP*
OPERATING ACTIVITIES			
Loss for the year before taxation		(3,308,212)	(4,041,486)
Adjustments for:			
Depreciation on property and equipment	21	514,200	597,911
Foreign exchange gain/(loss) on investments		3,540,109	(5,196,701)
Operating gain/(loss) before changes in operating assets and liabilities		746,097	(8,640,276)
(Increase)/decrease in Ijara and other Islamic financing		(6,918,517)	(70,986,116)
(Decrease)/increase in Shari'a alternative for derivative financial instruments		(110,867)	(80,915)
(Increase)/decrease in other assets		(374,004)	(100,242)
Increase/(decrease) in due to financial institution		2,715,604	76,314,410
(Decrease)/increase in depositors' accounts		(6,467,291)	9,242,301
(Decrease)/increase in other liabilities		(202,909)	(422,962)
Net cash from/(used in) operating activities		(10,611,887)	5,326,200
INVESTING ACTIVITIES			
Net disposals/(additions) to available for sale investments		(431,034)	97,254
Purchase of property and equipment	21	(123,667)	(115,806)
Net cash used in investing activities		(554,701)	(18,552)
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		(11,166,588)	5,307,648
Cash and cash equivalents at 1st January		26,828,148	21,520,500
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	27	15,661,560	26,828,148

The attached notes 1 to 35 form part of these financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

ADIB (UK) Limited ("the Bank") is an authorised banking institution incorporated in the UK and regulated by the PRA and FCA. The Bank is a wholly owned subsidiary of Abu Dhabi Islamic Bank PJSC. The Bank received its authorisation from the Financial Services Authority (FSA) in April 2012 and is presently, concentrating on building its retail banking business.

The Bank carries out banking services, activities through various Islamic instruments such as Murabaha, Wakala, Sukuk, Ijara etc. The activities of the Bank are conducted in accordance with Islamic Shari'a, as determined by the Fatwa and Shari'a Supervisory Board of the Bank, which prohibits usury, and within the provisions of the Articles and Memorandum of Association.

The registered office of the Bank is at 9th Floor, 26-28 Hammersmith Grove, London W6 7HA.

The financial statements of the Bank were authorised for issue by the Board of Directors on 27th February 2018.

2 DEFINITIONS

The following terms are used in the financial statements with the meanings specified:

Mud araba
A contract between the Bank and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible of all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

Murabaha
A sale contract, in which the Bank sells to a customer a physical asset, goods, or shares already owned and possessed (either physically or constructively) at a selling price consisting of the purchase cost plus a profit mark-up.

Wakala
A contract between the Bank and a customer whereby one party (the principal: the Muwakkil) appoints the other party (the agent: Wakil) to invest certain funds according to the terms and conditions of the Wakala for a fixed fee in addition to any profit exceeding the expected profit as an incentive for the Wakil for the good performance. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the Wakil; otherwise, they are borne by the principal.

Sukuk
Certificates which are equal in value and represent common shares in the ownership of a specific physical asset (leased or to be leased either existing or to be constructed in future), or in the ownership of cash receivables of selling an existing-owned asset, or in the ownership of goods receivables, or in the ownership of the assets of Mudaraba or Partnership companies. In all these cases, the Sukuk holders shall be the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the Partnership or the Mudaraba.

Ijara and other Islamic financing
A lease contract whereby the Bank (the Lessor) leases to a customer (the Lessee) a service or the usufruct of an owned or rented physical asset that either exists currently or will be constructed in future (forward lease) for a specific period of time at specific rental installments. The lease contract could be ended by transferring the ownership of a leased physical asset through an independent mode to the lessee.

3 BASIS OF PREPARATION

3.1 (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

3.1 (b) Accounting convention

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and have been prepared under the historical cost convention, except for available for sale financial assets and shari'a compliant alternatives of derivative financial instruments wa'ad which have been measured at fair value.

The financial statements have been presented in Great Britain Pounds (GBP), which is the functional currency of the Bank.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all the years presented in these financial statements.

3.2 New and amended standards not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting under IFRS 9, the requirements are generally applied prospectively, with some limited exceptions.

The Bank will adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Bank has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information. Overall, the Bank expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Bank does not expect a material increase in the loss allowance resulting in a negative impact on equity. In addition, the Bank will implement changes in classification of certain financial instruments.

(a) Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted sukuk currently held as available-for-sale (AFS) with gains and losses recorded in OCI will continue to be measured at fair value through other comprehensive income (FVOCI), as the Bank expects not only to hold the assets to collect contractual cashflows , but also to sell a significant amount on a relatively frequent basis.
No impairment losses were recognised in profit or loss during prior periods for these investments. The Bank will apply the option to present fair value changes in OCI. The Bank has performed assessment on the effect of IFRS 9 and we have concluded that there is currently no material impact.

3.3 New and amended standards not yet adopted continued

Financing transactions are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and profit. The Bank analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required

(b) Impairment
IFRS 9 requires the Bank to record expected credit losses on any debt securities and financing transactions, either on a 12-month or lifetime basis. The Bank has determined that there is presently no requirement to recognise any impairment losses.

(c) Hedge accounting
The Bank does not currently recognise any transactions for hedge accounting purposes.

IFRS 15 Revenue from contracts with customers
IFRS 15, Revenue from contracts with customers outlines the principles an entity must apply to measure and recognise revenue. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard requires an entity to recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The Bank has performed an impact assessment of IFRS 15 and have concluded that the Bank expects no material impact on retained earnings.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*,
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use Asset. Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. In 2018, the Bank will continue to assess the potential effect of IFRS 16 on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

New and amended standards adopted during the year

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Bank has provided the information for both the current and the comparative period in the Statement of Cashflows.

3.4 Significant estimates and judgments

The preparation of the financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes.

Estimates and judgments are currently evaluated and are based on historical experience and other factors. In order to reduce the element of subjectivity, the Bank has laid down clear criteria to enable estimation of future cash flows. As estimates are based on judgments, actual results may differ, resulting in future changes in such provisions.

Impairment losses on financing assets and held to maturity investments
The Bank reviews its assets and investments carried at amortised cost on a regular basis to assess whether a provision for impairment should be recorded in the Statement of Comprehensive Income in relation to any non-performing assets. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of individually impaired provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Classification and measurement of financial assets
The classification and measurement of the financial assets depend on management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. Management is satisfied that the Bank's investments in securities are appropriately classified and measured.

Fair value of financial instruments
The fair values of financial assets recorded in the statement of financial position are derived from active markets.

The determination of fair value for financial assets and liabilities for which there is no observable market price may require the use of valuation techniques, based on variables that may include data not directly from observable markets. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market focus, pricing assumptions and other risks affecting the specific instrument.

Ijara and other Islamic financing
Under the Ijara contract, the Bank undertakes to sell the leased assets to the lessee using an independent agreement upon maturity of the lease and the sale results in transferring all the risks and rewards incident to an ownership of the leases asset to the lessee. The Ijara is classified as a finance lease.

Useful life of property and equipment
The cost of property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Revenue recognition
Murabaha
Murabaha income is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding using the effective yield method. This is the rate that exactly discounts the future cash payments and receipts through the agreed payment term of the contract to the carrying amount of the financial asset or liability.

Wakala
Profit and cost are recognised in the Statement of Comprehensive Income throughout the period of the contract using the effective profit share basis. The effective profit share rate is the rate that exactly discounts the estimated future

SIGNIFICANT ACCOUNTING POLICIES continued

cash payments and receipts through the agreed payment term of the contract to the carrying amount of the financial asset or liability.

Sukuk
Coupon payments on sukuk are accounted for on a time apportioned basis over the term of the sukuk using the effective yield method.

Ijara
Ijara income is recognised on a time apportioned basis over the lease term.

Fee and commission income
Fee and commission income is amortised over the life of the transaction. Upfront fees are amortised over the life of the transaction.

Profit distribution
Profit distributions are recognised in the Statement of Comprehensive Income throughout the period of the contract using the 'effective profit share' basis for Wakala and Ijara contracts. The 'effective profit share rate' is the rate that exactly discounts the estimated future cash payments through the agreed payment term of the contract to the carrying amount of the financial liability.

Costs of getting financing
Costs of getting financing are expensed using the effective yield method and are recorded in the period in which they are incurred and reported in Notes 22 and 23.

Financial instruments
(i) Classification
The Bank classifies its financial instruments in the following categories:

Financial assets or financial liabilities at amortised cost
Balances with Islamic banks and other financial institutions, murabaha and wakala deposits with financial institutions, Ijara and other Islamic financing are stated at amortised cost less amounts written off and provision for impairment, if any.

Financial assets available for sale
Financial assets available for sale (investment securities) are initially recognised at fair value. Subsequent to initial measurement, the fair value gain or loss on these assets is reported into the Statement of Changes in Equity. On sale or impairment of the asset, the cumulative gain or loss previously recognised in the Statement of Changes in Equity is reclassified within the Statement of Comprehensive Income.

Investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

Investments in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

Held to maturity investments
Investment securities held to maturity are financial assets with fixed or determinable payments and fixed maturity and the Bank’s management has the positive intention and the ability to hold to maturity.

(ii) Recognition / De-recognition
The Bank initially recognises financial assets on the date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial liability is recognised on the date the Bank becomes a party to the contractual provisions of the instruments.

SIGNIFICANT ACCOUNTING POLICIES continued

A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset. A financial liability is de-recognised when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(iii) Measurement
Financial assets and liabilities are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities.

All financial assets or liabilities at amortised cost and held-to-maturity investments are measured at amortised cost, less any reduction for impairment. Amortised cost is calculated using the effective profit rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective profit rate of the instrument.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.
Unrealised gains and losses are recognised directly in equity (Other comprehensive income) in the cumulative change in the fair value of available-for-sale financial assets. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in other operating income.

(iv) Offsetting of financial instruments
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(v) Impairment of financial assets

Held to maturity investments
Impairment losses on held to maturity investments carried at amortised cost are measured as the difference between the carrying amount and the present value of estimated cash flows discounted at the original profit rate. Impairment losses are recognised in the income statement and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

Available for sale investments
The losses arising from impairment of available for sale investments are recognised in the income statement. Any cumulative change in the fair value of the available for sale financial asset recognised before the impairment is reversed through the statement of comprehensive income

Ijara and other Islamic financing
Impairment losses on Ijara carried at amortised cost are measured as the difference between the carrying amount and the present value of estimated cash flows discounted at the original profit rate. Impairment losses are recognised in the income statement and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

The carrying amounts of the Bank's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated.

(vi) Impairment of non-financial assets
The carrying amounts of the Bank's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES continued

(vii) Income tax
Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the taxable income for the year and on the basis of the tax laws enacted or substantively enacted at 31 December 2017.

IAS 12 requires a mechanistic approach to the calculation of deferred tax, deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by 31 December 2017 and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Provisions
Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Property and equipment
Property and equipment are recorded at cost less accumulated depreciation and any impairment in value.
Depreciation is provided on a straight-line basis over the estimated useful lives of property and equipment. The rates of depreciation are based upon the following estimated useful lives:

- Furniture and leasehold improvements 7 years
- Computer and office equipment 4 years

The carrying values of properties and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such conditions exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Any subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the Statement of Comprehensive Income as the expense is incurred.

Trade and Settlement date accounting
All “regular way’’ purchase and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to the counterparty. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. There were no settlement balances held at the year end.

Due to financial institution
Investment deposits represent profit bearing wakala placements of financial institutions with the Bank and carried at amortised cost.

Customers’ deposits
Customers' deposits are carried at amortised cost.

Lease payments
Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

SIGNIFICANT ACCOUNTING POLICIES continued

Shari'a alternative for derivative financial instruments
The Bank enters into Shari'a compliant alternatives of derivative financial instruments to manage the exposure to currency risks, including unilateral promise which represents Shari'a compliant alternatives of swap. Those financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All these Shari'a compliant alternatives of derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Employees' pension
The Bank does not operate a defined contribution pension scheme for all staff, but pays 8.33% of the employee gross salary as pension contribution to the employee. It is up to the employee to put that money in his or her own pension fund. The cost is recognised within personnel expenses in the profit and loss account. The Bank has no other obligation once the contributions have been paid.

Cash and cash equivalents
Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

Other assets
Trade and other assets are stated at their nominal amount less impairment losses.

Foreign currencies
The Bank's financial statements are presented in GBP, which is the Bank's functional currency. That is the currency of the primary economic environment in which the Bank operates. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Segment reporting
The Bank has presented the segment information in respect of its business and geographical segments in the same way as it is presented internally to management.

5 INCOME FROM MURABAHA AND WAKALA WITH FINANCIAL INSTITUTIONS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Income from wakala deposits with financial institutions	6,714	46,748
Income from international murabaha	4,098	24,596
	10,812	71,344

6 INVESTMENT INCOME ON SUKUK

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Investment income on sukuk	1,150,302	944,022
	1,150,302	944,022

7 INCOME FROM IJARA AND OTHER ISLAMIC FINANCING WITH CUSTOMERS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Ijara	2,932,410	1,343,123
	2,932,410	1,343,123

8 FEES AND COMMISSION INCOME, NET

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Fees and commission income		
Fees and commission income on cards	57,635	66,980
Fees and commission income related to ijara and other Islamic financing	42,787	17,858
Account maintenance fees	13,604	24,459
Others	178,480	20,263
Total fees and commission income	292,506	129,560
Fees and commission expenses		
Card related fees and commission expenses	(45,778)	(54,963)
Other fees and commission expenses	(43,219)	(21,341)
Total fees and commission expenses	(88,997)	(76,304)
Fees and commission income, net	203,509	53,256

9 EMPLOYEES' COSTS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Salaries and wages (including directors)	2,041,024	1,941,090
Social security costs	322,892	228,746
Other staff expenses	745,601	328,865
	3,109,517	2,498,701

The Bank paid £156,104 to staff in 2017 as a contribution towards staff private personal pensions.

The following table summarises the number of employees (including directors) within the Bank.

	31-Dec *2017 Number*	*31-Dec 2016 Number*
Average for the year - management	4	5
Average for the year - non management	19	18

9.1 Directors' emoluments

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Directors' remuneration	750,708	669,583

The aggregate of remuneration of the highest paid director was £337,428 (2016: £296,999) and Bank pension contributions of £14,610 (2016: £18,992) were made on his behalf.

The remuneration of some directors is included in the accounts of Abu Dhabi Islamic Bank PJSC or fellow subsidiaries of the holding company. The Bank does not pay for their services as a director of the Bank. It is estimated that the remuneration for their services to the Bank in the year totaled £30,000 (2016: £22,000).

10 GENERAL AND ADMINISTRATIVE EXPENSES

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Legal and professional expenses	605,682	438,907
Operating lease expenses	1,034,692	1,046,626
Premises expenses	401,569	379,442
Communication expenses	22,983	141,010
Hardware and software expenses	520,283	550,057
Other expenses	276,253	336,470
	2,861,462	2,892,512

Included within legal and professional expenses are fees paid to the auditors categorised as follows:

Auditors' remuneration	36,775	35,000
	36,775	35,000

11 DISTRIBUTION TO DEPOSITORS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Wakala deposits of banks	679,303	326,877
Investment accounts	14,252	20,478
	693,555	347,355

12 TAXATION

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Current tax:		
United Kingdom Corporation tax on profit for the year	-	-
Deferred tax:	-	-
Total tax charge/(credit) for the year	-	-

Factors affecting the tax charge for the year

The tax assessed for the year applies the standard rate of corporation tax in the UK for the period of 19.25% (2016 – 20%).

Loss on ordinary activities before tax	(3,308,212)	(4,041,486)
Tax losses on ordinary activities GBP 3,308,212 multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	(636,831)	(808,297)
Effects of:		
Expenses not deductible for tax	38,515	43,299
Change in tax rates	6,988	-
Deferred tax not recognised	591,328	764,998
Total tax charge/(credit) for the year	-	-

TAXATION continued

Recognised deferred tax asset/(liability) (Net)

Transitional adjustment	(6,575)	(11,269)
AFS investments	-	(20,499)
Tax Losses	6,575	31,768
	-	-
Fixed Assets	1,336,833	1,116,227
AFS investments	88,986	-
Tax Losses	16,738,046	13,750,891
	18,163,865	**14,867,118**

Reduction in UK corporation tax rate

The UK Government enacted legislation to reduce the rate of UK corporation tax to 19% from 1 April 2017. The corporation tax rate will further fall to 17% from 1 April 2020 and this was enacted through Finance Bill 2016 on 15 September 2016.

Bank loss restriction
On 1 April 2015, the UK Government introduced legislation in the Finance (No. 2) Act 2015, which restricts the proportion of banks' annual taxable profit that can be offset by certain carried forward tax losses. The restriction applies to relevant tax losses arising prior to this date. Tax losses arising in the first 5 years of the bank commencing a banking activity are not included within the restriction. A further restriction to 25% on the amount of taxable profits that can be relieved by brought forward losses was enacted on 15 September 2016 through Finance Act 2016 and took effect from 1 April 2016. There is no impact of this legislation on the tax balances as at 31 December 2017.

Unrecognised deferred tax assets
There is a gross unrecognised deferred tax asset of £18,163,865 (2016: £14,867,118) relating to unrelieved tax losses and temporary differences. This asset has not been recognised due to the uncertainty of the timing of the future reversal of these temporary differences and utilisation of tax losses.

13 CASH

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Cash on hand	214,067	144,693

The distribution of the cash holdings by geographic region is as follows:

UK	214,067	144,693

14 BALANCES WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Current accounts	15,447,493	19,683,030
	15,447,493	19,683,030

The Bank does not earn profits on current accounts with banks and financial institutions. Of the balances above £2,634,691 was placed with Abu Dhabi Islamic Bank PJSC.

The distribution of the balances with Islamic banks and other financial institutions by geographic region is as follows:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
UAE	2,634,691	7,565,433
UK	9,001,827	11,454,141
US	3,810,975	663,456
	15,447,493	19,683,030

15 MURABAHA AND WAKALA DEPOSITS WITH FINANCIAL INSTITUTIONS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Murabaha and wakala	-	7,000,425

The distribution of the gross murabaha and wakala with financial institutions by geographic region is as follows:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Other Middle East	-	-
UAE	-	3,000,000
UK	-	4,000,425
	-	7,000,425

16 IJARA AND OTHER ISLAMIC FINANCING

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Ijara	77,904,633	70,972,500
Others	11,122	13,616
	77,915,755	70,986,116

The distribution of Ijara and other Islamic financing by geographic region is as follows:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
UAE	4,972,500	4,972,500
UK	72,943,255	66,013,616
	77,915,755	70,986,116

17 INVESTMENT SECURITIES - AVAILABLE FOR SALE

The analysis of the Bank’s investments held as available for sale instruments is as follows:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Investments carried at fair value:		
At 1 January	56,000,378	50,805,133
Additions during the year	17,991,969	11,089,704
Disposals and matured investments during the year	(17,560,935)	(11,186,958)
Foreign exchange (loss)/gain	(3,469,012)	5,061,442
(Decrease)/increase in fair value	(209,566)	231,057
At 31 December	52,752,834	56,000,378

The distribution of available for sale investments by geographic region is as follows:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Other Middle East	5,174,696	8,112,485
UAE	17,517,839	14,295,397
UK	20,458,600	20,968,400
Far East	9,601,699	12,624,096
	52,752,834	56,000,378

18 INVESTMENT SECURITIES - HELD TO MATURITY

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Investments held to maturity:		
At 1 January	811,061	675,802
Addition during the year	-	-
Foreign exchange (loss)/gain on investment	(71,098)	135,259
At 31 December	739,963	811,061

The distribution of held to maturity investments by geographic region is as follows:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
UAE	739,963	811,061

19 SHARI'A ALTERNATIVE FOR DERIVATIVE FINANCIAL INSTRUMENTS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Fair value gain / (loss) of outstanding forward (wa'ad) foreign exchange undertakings	297,280	(117,329)
Notional amount by term to maturity less than 3 months	34,718,714	46,727,734

The Bank entered into forward (wa'ad) foreign exchange undertakings in the year to manage its foreign currency exposures. The movement in the fair value of forward (wa'ad) foreign exchange undertakings is included in the Statement of Comprehensive Income. There was a gain for the year to date of £22,608 (2016: loss £265,840).

20 OTHER ASSETS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
VAT Receivable	61,435	76,545
Prepaid expenses	438,511	418,611
Income receivable	457,308	402,907
Others	-	51
	957,254	898,114

21 PROPERTY AND EQUIPMENT

	Furniture & leasehold improvements	Computer & office equipment	Assets Under Construction	Total
	GBP	GBP	GBP	GBP
2017				
Cost				
At 1 January 2017	3,016,286	1,306,649	92,046	4,414,981
Additions during the year	18,628	105,040	-	123,668
Transfers	-	57,932	(57,932)	-
At 31 December 2017	3,034,914	1,469,621	34,114	4,538,649
Depreciation				
At 1 January 2017	1,906,269	1,147,915	-	3,054,184
Charge in the year	432,904	81,296	-	514,200
At 31 December 2017	2,339,173	1,229,211	-	3,568,384
Net book value				
At 31 December 2017	**695,741**	**240,410**	**34,114**	**970,265**

	Furniture & leasehold improvements	Computer & office equipment	Assets Under Construction	Total
	GBP	GBP	GBP	GBP
2016				
Cost				
At 1 January 2016	3,005,254	1,288,094	5,827	4,299,175
Additions during the year	11,032	18,555	86,219	115,806
At 31 December 2016	3,016,286	1,306,649	92,046	4,414,981
Depreciation				
At 1 January 2016	1,475,440	980,833	-	2,456,273
Charge in the year	430,829	167,082	-	597,911
At 31 December 2016	1,906,269	1,147,915	-	3,054,184
Net book value				
At 31 December 2016	**1,110,017**	**158,734**	**92,046**	**1,360,797**

22 DUE TO FINANCIAL INSTITUTIONS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Current deposits	2,258	3,016
Wakala deposits	79,043,239	76,326,877
	79,045,497	76,329,893

The amounts above are all due to fellow group companies.

The distribution of due to financial institutions by geographic region was as follows:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Other Middle East	2,258	3,016
UAE	79,043,239	76,326,877
	79,045,497	76,329,893

£66,000,000 of the Wakala deposit comprises amounts advanced from Abu Dhabi Islamic Bank PJSC on a 5 year term with expected profit rate paid of 1% per annum. This is collateral against an Ijara financing extended to a third party.

23 DEPOSITORS' ACCOUNTS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Current accounts	26,442,432	31,621,655
Investment accounts	4,344,509	5,632,577
	30,786,941	37,254,232

The distribution of the gross depositors' accounts by industry sector, geographic region and currency was as follows:

Industry sector:		
Individuals	25,144,830	28,678,768
Corporates	5,642,111	8,575,464
	30,786,941	37,254,232
Geographic region:		
Other Middle East	12,160,061	7,776,989
UAE	8,395,077	11,869,319
UK	2,137,471	7,645,774
Rest of the world	8,094,332	9,962,150
	30,786,941	37,254,232
Currency:		
USD	3,326,680	2,590,802
GBP	27,460,261	34,663,430
	30,786,941	37,254,232

24 OTHER LIABILITIES

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Deferred income	186,082	175,975
Accounts payable	149,908	270,444
Accrued expenses	615,184	776,780
Other liabilities - Staff related	547,155	478,039
	1,498,329	1,701,238

25 SHARE CAPITAL

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Authorised and fully paid up share capital:		
Issue of ordinary share capital		
58,041,000 Ordinary shares of £1 each at the beginning of the year	58,041,000	58,041,000
Ordinary shares of £1 each issued in the year	-	-
58,041,000 Ordinary shares of £1 each at the end of the year	58,041,000	58,041,000

26 FINANCIAL COMMITMENTS

The Bank's principal operational premises are leased

The cumulative commitments under non-cancellable operating leases are as follows:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Within one year	1,026,990	1,026,990
In two to five years	4,107,960	4,107,960
After five years	3,949,601	4,077,326
	9,084,551	9,212,276

27 CASH AND CASH EQUIVALENTS

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Cash	214,067	144,693
Balances with Islamic banks and other financial institutions, short term	15,447,493	19,683,030
Murabaha and wakala deposits with financial institutions, short term	-	7,000,425
	15,661,560	26,828,148

28 RELATED PARTY TRANSACTIONS

Related parties represent the Parent, associated companies, directors and key management personnel of the Bank, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Bank's management. These transactions are primarily with the parent company.

Transactions with related parties included in the statement of comprehensive income:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Profit paid on investment deposits	679,303	326,877

Balances with the related parties included in the statement of financial position are as follows:

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Balances with Islamic banks and other financial institutions	2,634,691	10,565,433
Due to financial institutions	(79,045,497)	(76,003,016)
Other Liabilities	(87,563)	(258,045)
Fair value of forward (wa'ad) foreign exchange undertakings	(297,280)	(117,329)

Profit rates earned on balances with banks and financial institutions extended to related parties during the year ranged from 0% to 0.80% (2016: 0% to 0.75% per annum).

Profit rates paid on due to financial institution and investment deposits placed by related parties during the year ranged from 0% to 1.0% per annum (2016: 0% to 1.0% per annum).

Compensation of key management personnel of the Bank:

	31 Dec 2017 GBP 000s	***31 Dec 2016 GBP 000s***
Salaries & bonus	1,072	1,050
Pension & medical benefits	72	79
Termination benefits	-	-
Share based payment transactions	-	-
Total compensation paid to key management personnel	1,144	1,129

29 SEGMENT INFORMATION

Retail banking - Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabaha, Islamic covered card and funds transfer facilities.

Treasury – Principally handling money markets, trading and treasury services, as well as the management of the Bank's funding operations by use of investment deposits.

Real Estate – Principally handling the acquisition, selling, and development and leasing of both land and buildings.

Segment information is provided on assets, liabilities and income as it is presented internally to management. No further segmental or geographical analysis is given on expenses.

SEGMENT INFORMATION

	2017	***2017***	***2017***
	Retail	***Real Estate***	***Treasury***
	GBP	***GBP***	***GBP***
ASSETS			
Cash	-	-	214,067
Balances with Islamic banks and other financial institutions	-	-	15,447,493
Murabaha and wakala deposits with financial institutions	-	-	-
Ijara and other Islamic financing	11,000	77,904,755	-
Investment securities held to maturity	-	-	739,963
Investments securities available for sale	-	-	52,752,834
Other assets	957,254	-	-
Property and equipment	970,265	-	-
TOTAL ASSETS	**1,938,519**	**77,904,755**	**69,451,637**
LIABILITIES			
Due to financial institutions	2,258	79,043,239	-
Depositors' accounts	30,786,941	-	-
Other liabilities	1,498,329	-	-
TOTAL LIABILITIES	**32,287,528**	**79,043,239**	**-**

	2016	*2016*	*2016*
	Retail	***Real Estate***	***Treasury***
	GBP	***GBP***	***GBP***
ASSETS			
Cash	-	-	144,693
Balances with Islamic banks and other financial institutions	-	-	19,683,030
Murabaha and wakala deposits with financial institutions	-	-	7,000,425
Ijara and other Islamic financing	13,616	70,972,500	-
Investment securities held to maturity	-	-	811,061
Investments securities available for sale	-	-	56,000,378
Other assets	898,114	-	-
Property and equipment	1,360,797	-	-
TOTAL ASSETS	**2,272,527**	**70,972,500**	**83,639,587**
LIABILITIES			
Due to financial institutions	3,016	66,326,877	10,000,000
Depositors' accounts	37,254,232	-	-
Shari'a alternative for derivative financial instruments	-	-	117,329
Other liabilities	1,701,238	-	-
TOTAL LIABILITIES	**38,958,486**	**66,326,877**	**10,117,329**

SEGMENT INFORMATION continued

	2017 *Other Middle East* *GBP*	*2017* *UAE* *GBP*	*2017* *UK* *GBP*	*2017* *US* *GBP*	*2017* *Hong Kong* *GBP*	*2017* *Other* *GBP*
Cash			214,067			
Balances with Islamic banks and other financial institutions	-	2,634,691	9,001,827	3,810,975	-	-
Murabaha and wakala deposits with financial institutions	-	-	-	-	-	-
Ijara and other Islamic financing	-	4,972,500	72,943,255	-	-	-
Investment securities held to maturity	-	739,963	-	-	-	-
Investments securities available for sale	5,174,696	17,517,839	20,458,600	-	7,353,918	2,247,781
Shari'a alternative for derivative financial Instruments	-	-	297,280	-	-	-
Other assets	-	-	957,254	-	-	-
Property and equipment	-	-	970,265	-	-	-
TOTAL ASSETS	**5,174,696**	**25,864,993**	**104,842,548**	**3,810,975**	**7,353,918**	**2,247,781**
Due to financial institutions	2,258	79,043,239	-	-	-	-
Depositors' accounts	12,160,061	8,395,077	2,137,471	-	-	8,094,332
Other liabilities	-	-	1,498,329	-	-	-
TOTAL LIABILITIES	**12,162,319**	**87,438,316**	**3,635,800**	**-**	**-**	**8,094,332**

SEGMENT INFORMATION continued

	2016	*2016*	*2016*	*2016*	*2016*	*2016*
	Other Middle East	*UAE*	*UK*	*US*	*Hong Kong*	*Other*
	GBP	*GBP*	*GBP*	*GBP*	*GBP*	*GBP*
ASSETS						
Cash	-	-	144,693	-	-	-
Balances with Islamic banks and other financial institutions	-	7,565,433	11,454,141	663,456	-	-
Murabaha and wakala deposits with financial institutions	-	3,000,000	4,000,425	-	-	-
Ijara and other Islamic financing	-	4,972,500	66,013,616	-	-	-
Investment securities held to maturity	-	811,061	-	-	-	-
Investments securities available for sale	8,112,485	14,295,397	20,968,400	-	12,624,096	-
Other assets	-	-	898,114	-	-	-
Property and equipment	-	-	1,360,797	-	-	-
TOTAL ASSETS	**8,112,485**	**30,644,391**	**104,840,186**	**663,456**	**12,624,096**	**-**
LIABILITIES						
Due to financial institutions	3,016	76,326,877	-	-	-	-
Depositors' accounts	7,776,989	11,869,319	7,645,774	-	-	9,962,150
Shari'a alternative for derivative financial instruments	-	117,329	-	-	-	-
Other liabilities	-	-	1,701,238	-	-	-
TOTAL LIABILITIES	**7,780,005**	**88,313,525**	**9,347,012**	**-**	**-**	**9,962,150**

SEGMENT INFORMATION continued

	2017	*2017*	*2017*
	Retail	***Real Estate***	***Treasury***
	GBP	***GBP***	***GBP***
OPERATING INCOME			
Income from murabaha and wakala with financial institutions	-	-	10,812
Investment income on sukuk	-	-	1,150,302
Income from ijara and other Islamic financing with customers	-	2,932,410	-
Fees and commission income, net	203,509	-	-
Foreign exchange gain/ (loss)	-	-	(449,118)
Fair value (loss)/gain on forward (wa'ad) foreign exchange	-	-	22,608
	203,509	**2,932,410**	**734,604**

	2016	***2016***	***2016***
	Retail	***Real Estate***	***Treasury***
	GBP	***GBP***	***GBP***
OPERATING INCOME			
Income from murabaha and wakala with financial institutions	-	-	71,344
Investment income on sukuk	-	-	944,022
Income from ijara and other Islamic financing with customers	-	1,343,123	-
Fees and commission income, net	53,256	-	-
Foreign exchange gain/ (loss)	-	-	149,088
Fair value (loss)/gain on forward (wa'ad) foreign exchange	-		(265,840)
	53,256	**1,343,123**	**898,614**

30 RISK MANAGEMENT

30.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank is exposed to credit risk through its real estate financing activities and also its placement and investment activities. In relation to its real estate investment activities, the Bank general provides financing at relatively modest exposure to value levels (up to 60% for residential and 65% for commercial) and updates the valuations on a regular basis. The Bank's real estate financings generally have a covenant included that if certain exposure to value levels are exceeded, the customer is required to prepay part of the financing. Individual counterparty limits are set in relation to credit exposures for wakala and murabaha deposits, the exposures are monitored on a daily basis. The Bank also monitors the credit ratings of its counterparties with any downgrades escalated to the appropriate forum within the Bank. The credit limits are reviewed on an annual basis.

30.1.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

30.1.1

	Notes	***Gross maximum exposure 2017 GBP***	*Gross maximum exposure 2016 GBP*
Balances with Islamic banks and other financial institutions	14	15,447,493	19,683,030
Murabaha and wakala deposits with financial institutions	15	-	7,000,425
Ijara and other Islamic financing	16	77,904,633	70,986,116
Investments held to maturity	17	739,963	811,061
Investments available for sale	18	52,752,834	56,000,378
Other assets (excluding prepaid expenses)	20	859,120	479,503
Total credit risk exposure		147,704,043	154,960,513

30.2 Credit risk concentration

The concentration of the Bank's assets and liabilities by geographical segment is based primarily upon the location of the counter party.

	Balances with Islamic banks and other financial institutions	Murabaha and wakala deposits with financial institutions	Ijara and other Islamic financing	Investments held to maturity	Investments available for sale	Other assets(excluding prepaid expenses)	**Total credit risk exposure**
	GBP	GBP	GBP	GBP	GBP	GBP	**GBP**
31-Dec-17							
Other Middle East	-	-	-	-	5,174,696	-	5,174,696
UAE	2,634,691	-	4,972,500	739,963	17,517,839	-	25,864,994
UK	9,001,827	-	72,932,133	-	20,458,600	859,120	103,647,448
US	3,810,975	-	-	-	-	-	3,810,975
Hong Kong	-	-	-	-	7,353,918	-	7,353,918
Other	-	-	-	-	2,247,781	-	2,,247,781
Financial assets subject to credit risk	**15,447,493**	**-**	**77,904,633**	**739,963**	**52,752,834**	**859,120**	**147,704.043**

30.2 Credit risk concentration continued

	Balances with Islamic banks and other financial institutions	Murabaha and wakala deposits with financial institutions	Ijara and other Islamic financing	Investments held to maturity	Investments available for sale	Other assets (excluding prepaid expenses)	**Total credit risk exposure**
	GBP	GBP	GBP	GBP	GBP	GBP	**GBP**
31-Dec-16							
Other Middle East	-	-	-	-	8,112,485	-	8,112,485
UAE	7,565,433	3,000,000	4,972,500	811,061	14,295,397	-	30,644,391
UK	11,454,141	4,000,425	66,013,616	-	20,968,400	479,503	102,916,085
US	663,456	-	-	-	-	-	663,456
Hong Kong	-	-	-	-	12,624,096	-	12,624,096
Financial assets subject to credit risk	**19,683,030**	**7,000,425**	**70,986,116**	**811,061**	**56,000,378**	**479,503**	**154,960,513**

30.2 Credit risk concentration continued

The distribution of the Bank’s financial assets by industry sector is as follows:

	Balances with Islamic banks and other financial institutions	Murabaha and wakala deposits with financial institutions	Ijara and other Islamic financing	Investments held to maturity	Investments available for sale	Other assets (excluding prepaid expenses)	**Total credit risk exposure**
31-Dec-17							
Financial Institution	15,447,493	-	-	-	5,174,696	-	20,622,189
Governments	-	-	-	-	30,060,299	-	30,060,299
Corporate	-	-	72,921,011	739,963	17,517,839	-	91,189,935
Retail	-	-	4,972,500	-	-	11,122	4,983,622
Other	-	-	-	-	-	847,998	847,998
	15,447,493	**-**	**77,904,633**	**739,963**	**52,752,834**	**859,120**	**147,704,043**

30.2 Credit risk concentration continued

	Balances with Islamic banks and other financial institutions	Murabaha and wakala deposits with financial institutions	Ijara and other Islamic financing	Investments held to maturity	Investments available for sale	Other assets (excluding prepaid expenses)	**Total credit risk exposure**
	GBP	GBP	GBP	GBP	GBP	GBP	**GBP**
31-Dec-16							
Financial Institution	19,683,030	7,000,425	-	-	19,755,396	479,503	46,918,354
Governments	-	-	-	-	33,592,496	-	33,592,496
Corporate	-	-	66,000,000	811,061	2,652,486	-	69,463,547
Retail	-	-	4,986,116	-	-	-	4,986,116
Financial assets subject to credit risk	**19,683,030**	**7,000,425**	**70,986,116**	**811,061**	**56,000,378**	**479,503**	**154,960,513**

30.3 Credit quality per class of financial assets

The Bank measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset and impairment losses, if any. The following table shows the maximum exposure (excluding committed facilities) to credit risk for murabaha, investments and other Islamic financing.

	Neither past due nor impaired	*Neither past due nor impaired*
	2017	*2016*
	GBP	*GBP*
Balances with Islamic banks and other financial institutions	15,447,493	19,683,030
Murabaha and wakala deposits with financial institutions	-	7,000,425
Ijara and other Islamic financing	77,904,633	70,986,116
Investments held to maturity	739,963	811,061
Investments available for sale	52,752,834	56,000,378
Other assets (excluding prepaid expenses)	859,120	479,503
Financial assets subject to credit risk	147,704,043	154,960,513

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

31 December 2017

Credit Quality Step	**Exposure Values (GBP thousands)**	**Fair value of collateral and credit enhancements held (Property)**	**Surplus collateral**	**Total collateral**	**Exposure Values after mitigation (GBP thousands)**
Securities					
Investment Grade	68,938	-	-	-	68,938
Ijara and other Islamic financing and Other Assets					
Unrated	78,765	118,434	39,669	78,756	-
Total per Credit Risk Concentration	147,704	118,434	39,669	78,756	68,938

31 December 2016

Credit Quality Step	Exposure Values (GBP thousands)	Fair value of collateral and credit enhancements held (Property)	Surplus collateral	Total collateral	Exposure Values after mitigation (GBP thousands)
Securities					
Investment Grade	81,495	-	-	-	81,495
Ijara and other Islamic financing and Other Assets					
Unrated	73,466	117,052	43,586	73,466	-
Total per Credit Risk Concentration	154,961	117,052	43,586	73,466	81,495

The largest exposure value represents after mitigation was the Bank's investment in the HM Treasury UK Sukuk.

30.4 Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Oversight of the Bank's liquidity risk management is provided by the Bank's Asset and Liability Committee (ALCO) which meets on a monthly basis. The Bank operates strong liquidity management, with funds placed in high quality liquid instruments with carefully chosen counterparties. The Bank has prepared a liquidity contingency plan, which identifies early warning indicators of potential liquidity stress, and identifies the Bank's response to such stress. The early warning indicators are monitored on a daily basis. The Bank operates within the Prudential Regulatory Authority liquidity regime.

30.4.1 Analysis of financial assets and financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial assets and liabilities at reporting date based on contractual maturities.

31-Dec-17	*Less than 3 months* *GBP*	*3 months to 1 Year* *GBP*	*1 year to 5 years* *GBP*	*Over 5 years* *GBP*
ASSETS				
Cash	214,067	-	-	-
Balances with Islamic banks and other financial institutions	15,447,493	-	-	-
Murabaha and wakala deposits with financial institutions	-	-	-	-
Ijara and other Islamic financing	709,517	2,148,393	74,336,366	710,357
Investment securities held to maturity	739,963	-	-	-
Investments securities available for sale	-	-	52,752,834	-
Other assets (excluding prepaid expenses)	859,120	-	-	-
Financial assets	**17,970,160**	**2,148,393**	**127,089,200**	**710,357**
Non-financial assets				**1,376,801**
TOTAL ASSETS				**149,294,911**
LIABILITIES				
Due to financial institutions	992,997	-	78,052,500	-
Depositors' accounts	30,736,941	50,000	-	-
Shari'a alternative for derivative financial instruments	-	-	-	-
Other liabilities	1,339,064	29,320	129,945	-
TOTAL LIABILITIES	**33,069,002**	**79,320**	**78,182,445**	**-**
TOTAL LIABILITIES				**111,330,767**

Depositors accounts are primarily established customers of the Bank who are considered unlikely to demand the repayment of deposits in the short term.

30.4.1 Analysis of financial assets and financial liabilities by remaining contractual maturities continued

31-Dec-16	*Less than 3 months* GBP	*3 months to 1 Year* GBP	*1 year to 5 years* GBP	*Over 5 years* GBP	*31-Dec 2016* GBP
ASSETS					
Cash	144,693	-	-	-	144,693
Balances with Islamic banks and other financial institutions	19,683,030	-	-	-	19,683,030
Murabaha and wakala deposits with financial institutions	7,000,425	-	-	-	7,000,425
Ijara and other Islamic financing	5,283	8,333	66,000,000	4,972,500	70,986,116
Investment securities held to maturity	-	-	811,061	-	811,061
Investments securities available for sale	-	-	56,000,378	-	56,000,378
Other assets (excluding prepaid expenses)	479,503	-	-	-	479,503
Property and equipment	-	-	-	-	
Financial assets	**27,312,934**	**8,333**	**122,811,439**	**4,972,500**	**155,105,206**
Non-financial assets					**1,779,408**
TOTAL ASSETS					**156,884,614**
LIABILITIES					
Due to financial institutions	10,004,331	-	66,325,562	-	76,329,893
Depositors' accounts	37,254,232	-	-	-	37,254,232
Shari'a alternative for derivative financial instruments	117,329	-	-	-	117,329
Other liabilities	1,535,144	29,320	129,945	6,829	1,701,238
TOTAL LIABILITIES	**48,911,036**	**29,320**	**66,455,507**	**6,829**	**115,402,692**

30.4.2 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect fair values of financial instruments. The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and instruments that mature or re-price in a given period. Oversight of the management of Profit rate risk is provided by the Bank's ALCO, which meets on a monthly basis. The Bank manages this risk by managing re-pricing gaps and by investing in both fixed and variable rate assets.

The effective profit rate (effective yield) of a monetary instrument is the rate that, when used in present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating instrument or an instrument carried at fair value.
The following table estimates the sensitivity of the Bank's Statement of Comprehensive Income to a reasonable possible change in profit rates, with all other variables held constant. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in profit rates (whether increase or decrease) on the net profit for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December.

	Increase in basis points	*Sensitivity of profit on financial assets and liabilities* ***2017*** ***GBP***	*Sensitivity of profit on financial assets and liabilities 2016 GBP*
Currency			
GBP	**50**	171,000	156,000
USD	**50**	-	-

30.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency in accordance with the Bank's policy. Oversight of the management of currency risk is provided by the Bank's ALCO, which meets on a monthly basis. Positions are monitored on a daily basis and foreign exchange forward (wa'ad) undertakings are used to ensure positions are maintained within established limits. The table below indicates the extent to which the Bank was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against GBP, with all other variables held constant, on the Statement of Comprehensive Income (due to the changes in fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated in Statement of Comprehensive Income on investments carried at fair value through other comprehensive income.

	% Increase currency rates	*Effect on net profit GBP*	*Effect on equity GBP*
31 December 2017			
Currency			
USD	5	4,574	4,574
31 December 2016			
Currency			
USD	5	900	900

The USD exposures are covered by a forward (wa'ad) foreign exchange undertakings.

The table below shows the Bank's exposure to foreign currencies.

31-Dec-17	*GBP*	*USD*	*AED*	*Total*
ASSETS				
Cash	214,067	-	-	214,067
Balances with Islamic banks and other financial institutions	11,015,620	4,413,383	18,490	15,447,493
Murabaha and wakala deposits with financial institutions	-	-	-	-
Ijara and other Islamic financing	77,893,511	-	-	77,893,511
Investment securities held to maturity	-	739,963	-	739,963
Investments securities available for sale	20,241,934	32,510,900	-	52,752,834
Other assets	1,221,786	7,235	25,513	1,221,786
Property and equipment	873,017	-	97,248	970,265
TOTAL ASSETS	**111,488,641**	**37,671,481**	**141,251**	**149,294,911**

LIABILITIES				
Due to financial institutions	79,045,497	-	-	79,045,497
Depositors' accounts	27,460,261	3,326,680	-	30,786,941
Shari'a alternative for derivative financial instruments	-	-	-	-
Other liabilities	1,281,651	-	216,678	1,498,329
TOTAL LIABILITIES	**107,793,871**	**3,326,680**	**216,678**	**111,330,767**
OFF BALANCE SHEET				
FX forward undertakings	**34,718,714**	**(34,499,860)**	-	**218,854**

30.5 Currency risk continued

31-Dec-16	***GBP***	***USD***	***AED***	***Total***
ASSETS				
Cash	144,693	-	-	144,693
Balances with Islamic banks and other financial institutions	15,576,031	4,083,490	23,509	19,683,030
Murabaha and wakala deposits with financial institutions	7,000,425	-	-	7,000,425
Ijara and other Islamic financing	70,986,116	-	-	70,986,116
Investment securities held to maturity	-	811,061	-	811,061
Investments securities available for sale	20,968,400	35,031,978	-	56,000,378
Other assets	700,966	197,148	-	898,114
Property and equipment	1,240,177	5,192	115,428	1,360,797
TOTAL ASSETS	**116,616,808**	**40,128,869**	**138,937**	**156,884,614**
LIABILITIES				
Due to financial institutions	76,329,893	-	-	76,329,893
Depositors' accounts	34,663,431	2,590,801	-	37,254,232
Shari'a alternative for derivative financial instruments	117,329	-	-	117,329
Other liabilities	1,454,541	107,227	139,470	1,701,238
TOTAL LIABILITIES	**112,565,194**	**2,698,028**	**139,470**	**115,402,692**
OFF BALANCE SHEET				
FX forward undertakings	**37,755,316**	**(37,872,645)**	**-**	**(117,329)**

30.6 Price Risk

Price risk is the risk that the Bank will be adversely affected by price movements in traded instruments. The Bank's ALCO has oversight responsibility for market risk, which includes price risk. The AFS sukuk portfolio is marked to market prices on a daily basis which is reported to the members of EXCO. The held to maturity portfolio is not revalued, reflecting the Bank's intention to hold the securities within the portfolio to maturity.

30.7 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Bank has adopted the basic indicator approach to the pillar 1 minimum capital requirement for operational risk. Responsibility for operational risk lies with the Bank's management, with oversight provided by the Audit & Risk Committee. The Bank has in place robust procedures and controls to mitigate the incidence of operational losses. Risk and Control Self Assessments are undertaken to identify risk and mitigants, corrective action plans derived from these assessments are tracked to conclusion.

30.8 Capital management

A key objective of the Bank is to maximize shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with the externally imposed capital requirements.

Capital adequacy is monitored on a regular basis against both regulatory and internal capital requirements. The Bank ensures that it has adequate capital even in stress scenarios though the Individual Capital Adequacy Assessment Process.

The Bank's capital requirements are set and monitored by the PRA.
The following table shows the Bank's regulatory capital position as at 31 December 2017.

	31-Dec 2017 GBP	*31-Dec 2016 GBP*
Ordinary share capital	58,041,000	58,041,000
Accumulated loss	(20,076,856)	(16,559,078)
Total Tier 1 capital	37,964,144	41,481,922
Total regulatory capital	**37,964,144**	41,481,922

At 31 December 2017 and throughout the year, the Bank complied with the capital requirements that were in force as set out by the PRA.

Regulatory and internal capital adequacy is monitored on a daily basis and reported to the Board Audit & Risk Committee on a quarterly basis.

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

The directors have considered the fair values of the Bank's main financial assets, which are balances and wakala deposits with Islamic banks and other financial institutions, murabaha with financial institutions, ijara and other Islamic financing and investment securities.

In the opinion of the directors, no liquid secondary market currently exists for the balances and wakala deposits with Islamic banks and other financial institutions, murabaha with financial institutions, ijara and other Islamic financing and investment securities. The directors believe that the book value is the best approximation of the fair value at this time.

FAIR VALUE OF FINANCIAL INSTRUMENTS continued

Fair value of investments held to maturity

	Carrying amount GBP	*Fair value GBP*
31 December 2017		
Sukuk held to maturity (note 18)	739,963	740,597
31 December 2016		
Sukuk held to maturity (note 18)	811,061	814,248

Fair value hierarchy measurement recognised in the statement of financial position

IFRS 7 specifies three hierarchy of valuation techniques depending on whether the inputs to the valuation techniques are observable or unobservable in the market. Inputs are observable if they reflect market data obtained from independent sources and unobservable if they are based on market assumptions. The valuation of financial asset and liability therefore follows one of the levels below.

Level 1: quoted (unadjusted prices in active markets for identical assets or liabilities).
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. The fair value for available for sale sukuk is based on quoted price as defined in level 1, under IFRS 7.
Derivative Financial Instruments (Shari'a alternative foreign currency forward undertakings - level 2) are not traded in active markets. These have been fair valued using observable forward exchange rates and profit rates corresponding to the maturity of the undertakings. The effects of non-observable inputs are not significant for foreign currency forward undertakings.
The following table presents the Bank's assets that are measured at fair value as at 31 December.
There has been no change in the method of valuation compared to prior year.

31-Dec-17	***Level 1 GBP***	***Level 2 GBP***	***Level 3 GBP***	***Total GBP***
Financial assets at fair value through profit and loss				
- Sukuk instruments	-	-	-	-
- Equity instruments	-	-	-	-
Shari'a alternative for derivative financial instruments	-	(297,280)	-	(297,280)
Investments securities available for sale				
- Sukuk instruments	52,752,834	-	-	52,752,834
- Equity instruments	-	-	-	-
Total Assets	**52,752,834**	**(297,280)**	**-**	**52,455,554**

FAIR VALUE OF FINANCIAL INSTRUMENTS continued

31-Dec-16	*Level 1* *GBP*	*Level 2* *GBP*	*Level 3* *GBP*	*Total* *GBP*
Financial assets at fair value through profit and loss				
- Sukuk instruments	-	-	-	-
- Equity instruments	-	-	-	-
Shari'a alternative for derivative financial instruments	-	(117,329)	-	(117,329)
Investments securities available for sale				
- Sukuk instruments	56,000,378	-	-	56,000,378
- Equity instruments	-	-	-	-
Total Assets	56,000,378	(117,329)	-	55,883,049

There were no transfers made between level 1 and level 2 instruments.

The following table presents the Bank's assets that are measured at amortised cost as at 31 December.

31-Dec-17	***Carrying Amount*** ***GBP***	***Fair Value*** ***GBP***	***Level 1*** ***GBP***	***Level 2*** ***GBP***	***Level 3*** ***GBP***	***Total*** ***GBP***
Investments securities held to maturity	739,963	740,597	740,597	-	-	740,597
Total Assets	**739,963**	**740,597**	**740,597**	**-**	**-**	**740,597**

31-Dec-16	*Carrying Amount* *GBP*	*Fair Value* *GBP*	*Level 1* *GBP*	*Level 2* *GBP*	*Level 3* *GBP*	*Total* *GBP*
Investments securities held to maturity	811,061	814,248	814,248	-	-	814,248
Total Assets	811,061	814,248	814,248	-	-	814,248

There were no transfers made between level 1 and level 2 instruments.

32 PARENT COMPANY

ADIB (UK) Ltd is wholly owned by Abu Dhabi Islamic Bank PJSC, a bank incorporated in UAE and quoted on the UAE Stock Exchange.

Copies of the Group accounts of the Abu Dhabi Islamic Bank PJSC can be obtained from:

www.adib.ae/financial-results

Abu Dhabi Islamic Bank PJSC
P.O. Box 313
Abu Dhabi
United Arab Emirates

33 EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet events.

34 PRA PILLAR 3 DISCLOSURES

ADIB (UK) Pillar 3 Disclosures can be found at the following web address: www.adib.co.uk

35 COUNTRY BY COUNTRY REPORTING

Capital Requirements Directive IV ("CRD IV") – country by country reporting

During 2015, the UK Government enacted legislation (contained in the Financial Services and Markets Act 2000 Statutory Instrument 3118) which requires CRD IV regulated institutions to publish the following information:

a) The name, nature of activities and geographical location of the institution and any subsidiaries and branches;
b) Turnover;
c) The average number of employees on a full time equivalent basis;
d) Profit or loss before tax;
e) Corporation tax paid; and
f) Public subsidies received.

The Bank falls within the scope of these regulations and accordingly the disclosures for the Year ended 31 December 2017 are set out below.

		UK	Total
a) Entity name:	ADIB (UK) Limited		
b) Nature of activities	Shari'a compliant bank		
c) Operating income (£)		3,870,522	3,870,522
d) Average number of employees		26	26
e) Loss before tax (£)		(3,308,212)	(3,308,212)
f) Corporation tax paid (£)		-	-
g) Public subsidies received (£)		-	-