

ADIB (UK) LIMITED

**REPORTS OF THE BOARD OF DIRECTORS AND
FINANCIAL STATEMENTS**

Registered Number: 07327879

31 DECEMBER 2014

ADIB (UK) LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 2014

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ADIB (UK) LIMITED

BOARD OF DIRECTORS' REPORT

Year ended 31 December 2014

Directors

Michael Robert Hanlon Chairman

David John Smith

Sarvesh Sarup

Brian Keith Belcher

Nuhad Saliba

Company Secretary

Kishan Medimi

Registered Office

One Hyde Park
100 Knightsbridge
London
SW1X 7LJ

Bankers

Barclays Bank plc
128 Moorgate
London
EC2M 6SX

Auditors

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

ADIB (UK) LIMITED

BOARD OF DIRECTORS' REPORT

Year ended 31 December 2014

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 2014.

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 Board believes that, after allowing for the period of initial development, the Bank has good prospects in the UK 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.

Financial commentary

The financial statements for the year ended 31 December 2014 are shown on pages 10 to 40. The loss for the year is £3,740,068 (2013: loss of £2,289,922).

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.

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 (2013: £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.

1.	Arthur Harold Grandy ¹	Chairman	Resigned on 1 April 2014
2.	Michael Robert Hanlon ^{1,2,3}	Board Member	(Chairman since 1 April 2014)
3.	David John Smith ^{1,2,3}	Board Member	(Appointed on 22 May 2014)
4.	Sarvesh Sarup ^{2,3}	Board Member	
5.	Brian Keith Belcher ¹	Board Member	(Appointed on 17 November 2014)
6.	Nuhad Saliba	Board Member	(Appointed on 6 October 2014)

BOARD OF DIRECTORS' REPORT

Year ended 31 December 2014

7.	Stuart Joseph Taylor	Board Member	((Chief Executive Officer) – Appointed on 3 April 2014, resigned on 19 February 2015)
8.	Walid Koubaa	Board Member	Resigned on 18 July 2014
9.	Majaz Khan ¹	Board Member	Resigned on 18 July 2014
10.	Kishan Medimi	Board Member	((Chief Operating Officer) – Resigned on 30 July 2014)

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:

¹Denotes member of Audit & Risk Committee

²Denotes member of Remuneration Committee

³Denotes member of 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 a Board-level committee with responsibility for ensuring that the Bank's operations are adequately supported by a comprehensive and proportionate risk management framework. The ARC reviews and recommends for Board approval all risk management policies, as well as the Bank's ICAAP (Internal Capital Adequacy Assessment Process), ILAA (Individual Liquidity Adequacy Assessment) and RRP (Recovery and Resolution Plan). The ARC monitors the Bank's risk profile on an on-going basis.

Key responsibilities of the ARC include:

- Ensuring appropriateness of accounting policies
- Reviewing financial statements and regulatory disclosures
- Considering audit findings, both internal and external, and recommending the appointment of auditors
- Reviewing and addressing cases of actual or potential conflicts of interest
- Overseeing internal controls and risk management systems and processes
- Reviewing and recommending to the Board for Board approval all relevant policies and regulatory documents including the ICAAP (Internal Capital Adequacy Assessment Process), ILAA (Individual Liquidity Adequacy Assessment) and the RRP (Recovery and Resolution Plan)
- Reviewing the Bank's risk profile in context of its risk appetite and challenging management on breaches and unexpected changes
- Reviewing the management of capital and liquidity at the Bank

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

Remuneration Committee

The Remuneration Committee (RC) is appointed by the Board and is responsible for considering and recommending to the Board an overall remuneration policy aligned to its long-term objectives and risk appetite. The RC ensures that remuneration decisions compensate executives and other employees fairly and responsibly.

Key responsibilities of the RC are:

- Overseeing the establishment and maintenance of a remuneration policy that promotes the achievement of strategic objectives
- Ensuring that the structure and mix of fixed and variable pay meets regulatory guidelines
- Satisfying itself as to the accuracy of performance measures that determine incentives
- Ensuring that remuneration levels are benchmarked to industry peers on a periodic basis
- Ensuring that risks arising from the Bank's remuneration policies are appropriately managed and remuneration structures and incentive payouts are adjusted for risks

The RC is chaired by an Independent Non Executive Director and meets at least annually.

BOARD OF DIRECTORS' REPORT

Year ended 31 December 2014

Nomination Committee

The Nomination Committee (NC) is appointed by the Board and is responsible for leading the process of nominating Board Committee members and Senior Management appointments in the Bank. It also oversees the adequacy of the Bank's corporate governance framework, policies and practices.

Key responsibilities are to:-

- Review the structure, size and composition (including the skills, knowledge and experience) of all Board committees and make recommendations to the Board with regard to any changes, in consultation with the Chairmen of those committees
- Review the structure, size and composition of the senior management team and make recommendations to the Board concerning the appointment of individuals to senior management positions
- Review and assess the adequacy of the Bank's Corporate Governance policies, practices and overall organisation
- Review and assess the Board's and Board Committees' practices to ensure the Board's effectiveness and recommend any changes for the Board's approval
- Review the Bank's business practices, particularly as they relate to preserving the good reputation of the Bank and the ADIB Group in general

The NC meets at least every six months and is chaired by an Independent Non Executive Director.

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.

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

During 2014, 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 2014 are set out below.

	UK	Total
a) Entity name:	ADIB (UK) Limited	
b) Nature of activities	Shari'a compliant bank	
c) Operating income (£)	2,255,856	2,255,856
d) Average number of employees	16	16
e) Loss before tax (£)	(3,740,068)	(3,740,068)
f) Corporation tax paid (£)	-	-
g) Public subsidies received (£)	-	-

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 2015 budget and future plans. The Bank is also supported by the parent bank financially. 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.

ADIB (UK) LIMITED

BOARD OF DIRECTORS' REPORT

Year ended 31 December 2014


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


Michael Hanlon
Chairman
24 March 2015
UK

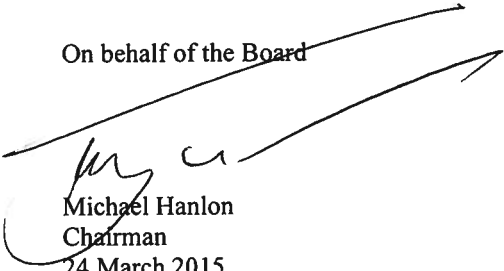
STRATEGIC REPORT

Year ended 31 December 2014

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 Sharia principles. The Bank offers current accounts, accepts deposits and facilitates the transactional and payment requirements of 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 Bank aims to have the full complement of services available to our customers by 2016 and to be a profitable and sustainable business by 2017.

On behalf of the Board



Michael Hanlon
Chairman
24 March 2015
UK

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Year ended 31 December 2014

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). The financial statements are required by law to give a true and fair view of the state of affairs of the Bank as at the end of the financial period 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 Company 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 responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADIB (UK) LIMITED

We have audited the financial statements of ADIB (UK) Limited ('the Bank') for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 35. 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.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Bank's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports of the Board of Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs for the year ended 31 December 2014 and of the Bank's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADIB (UK) LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Ernst & Young LLP

Kenneth Eglinton (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP,
Statutory Auditor
London

Date: *25 March 2015*

ADIB (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	<i>Notes</i>	31 December 2014 GBP	31 December 2013 GBP
OPERATING INCOME			
Income from murabaha and wakala with financial institutions	5	97,779	115,140
Income from murabaha and other Islamic financing with customers	6	991,119	325,031
Investment income on sukuk	7	796,713	674,707
Fees and commission income, net	8	295,885	46,225
Foreign exchange gain/ (loss)		198,300	(131,640)
Fair value (loss)/gain on forward foreign exchange (wa'ad)	19	<u>(123,940)</u>	<u>155,799</u>
		<u>2,255,856</u>	<u>1,185,262</u>
OPERATING EXPENSES			
Employees' costs	9	(2,178,593)	(879,830)
General and administrative expenses	10	(2,883,456)	(1,778,284)
Depreciation	21	<u>(663,954)</u>	<u>(640,244)</u>
		<u>(5,726,003)</u>	<u>(3,298,358)</u>
LOSS FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS		(3,470,147)	(2,113,096)
Distribution to depositors	11	<u>(269,921)</u>	<u>(328,120)</u>
Loss before taxation		<u>(3,740,068)</u>	<u>(2,441,216)</u>
Corporation tax credit	12	-	151,294
Loss for the year after taxation and total comprehensive loss for the year		<u>(3,740,068)</u>	<u>(2,289,922)</u>
OTHER COMPREHENSIVE INCOME			
Cumulative changes in fair value of Available for Sale Asset	18	(272,071)	650,725
Related tax credit on taxable items in the OCI		-	(151,294)
		<u>(272,071)</u>	<u>499,431</u>
Total comprehensive loss for the year		<u>(4,012,139)</u>	<u>(1,790,491)</u>

All the loss for the current year was derived from continuing activities.

There were no recognised gains and losses in the year other than the loss set out above.

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


ADIB (UK) LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
ASSETS			
Cash	13	144,861	70,855
Balances and wakala deposits with Islamic banks and other financial institutions	14	7,692,995	21,006,630
Murabaha with financial institutions	15	16,006,068	10,025,077
Murabaha and other Islamic financing	16	15,960,000	7,005,780
Investment securities held to maturity	17	644,738	602,662
Investments securities available for sale	18	50,057,342	39,258,508
Shari'a alternative for derivative financial instruments	19	-	155,799
Other assets	20	1,060,032	741,447
Property and equipment	21	<u>2,441,349</u>	<u>2,758,918</u>
TOTAL ASSETS		<u>94,007,385</u>	<u>81,625,676</u>
LIABILITIES			
Due to financial institutions	22	42,334,594	31,760,809
Depositors' accounts	23	26,458,131	20,981,472
Shari'a alternative for derivative financial instruments	19	123,940	-
Other liabilities	24	<u>1,473,327</u>	<u>1,253,863</u>
Total liabilities		70,389,992	53,996,144
EQUITY			
Share capital	25	31,934,000	31,934,000
Accumulated losses		(8,543,967)	(4,803,899)
Cumulative changes in fair value of Available for Sale sukuk	18	<u>227,360</u>	<u>499,431</u>
Total equity		<u>23,617,393</u>	<u>27,629,532</u>
TOTAL LIABILITIES AND EQUITY		<u>94,007,385</u>	<u>81,625,676</u>


 Michael Hanlon
 Chairman
 24 March 2015


 David Smith
 Director
 24 March 2015

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

ADIB (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2014

	<i>Share Capital GBP</i>	<i>Accumulated losses GBP</i>	<i>Cumulative changes in fair value GBP</i>	<i>Total GBP</i>
Balance at 1 January 2013	10,000,000	(2,513,977)	-	7,486,023
Share capital issued	21,934,000	-	-	21,934,000
Loss for the year after tax	-	(2,289,922)	-	(2,289,922)
Cumulative changes in fair value	-	-	<u>499,431</u>	<u>499,431</u>
Balance at 1 January 2014	31,934,000	(4,803,899)	499,431	27,629,532
Share capital issued	-	-	-	-
Loss for the year after tax	-	(3,740,068)	-	(3,740,068)
Cumulative changes in fair value	-	-	<u>(272,071)</u>	<u>(272,071)</u>
Balance at 31 December 2014	<u>31,934,000</u>	<u>(8,543,967)</u>	<u>227,360</u>	<u>23,617,393</u>

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

ADIB (UK) LIMITED

STATEMENT OF CASHFLOWS Year ended 31 December 2014

	<i>Notes</i>	31 December 2014 GBP	31 December 2013 GBP
OPERATING ACTIVITIES			
Loss for the year		(3,740,068)	(2,289,922)
Adjustments for:			
Depreciation on property and equipment	21	663,954	640,244
Taxation		-	(151,294)
Foreign exchange gain/(loss) on investments		<u>(2,644,786)</u>	<u>1,039,880</u>
Operating loss before changes in operating assets and liabilities		(5,720,900)	(761,092)
(Increase) in murabaha and other Islamic financing		(8,954,220)	(7,005,780)
Increase/(Decrease) in Shari'a alternative for derivative financial instruments		279,739	(155,799)
(Increase)/Decrease in other assets		(318,585)	192,834
Increase in due to financial institution		10,573,785	6,430,809
Increase in depositors' accounts		5,476,659	7,940,878
Increase in other liabilities		<u>219,464</u>	<u>1,027,543</u>
Net cash from operating activities		<u>1,555,942</u>	<u>7,669,393</u>
INVESTING ACTIVITIES			
Net additions to available for sale investments		(8,468,195)	-
Net additions to held to maturity instruments		-	(602,662)
Purchase of property and equipment	21	(346,385)	(12,867)
VAT refund on property and equipment	21	<u>-</u>	<u>82,118</u>
Net cash used in investing activities		<u>(8,814,580)</u>	<u>(533,519)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>(7,258,638)</u>	<u>7,135,982</u>
Cash and cash equivalents at the beginning at 1 January		<u>31,102,562</u>	<u>23,966,580</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	28	<u><u>23,843,924</u></u>	<u><u>31,102,562</u></u>
NON CASH INVESTING AND FINANCING ACTIVITIES			
Conversion of Investment deposit included in due to financial institution to ordinary share capital of £1 each		-	15,000,000
Conversion of due to related party included in other liabilities to ordinary share capital of £1 each		-	6,934,000

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 in the start-up phase of its development, concentrating on building its retail banking business.

The Bank carries out banking services, activities through various Islamic instruments such as Murabaha, Wakala, Sukuk etc. 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 registered office of the Bank is at One Hyde Park, 100 Knightsbridge, London SW1X 7LJ.

The financial statements of the Bank were authorised for issue by the Board of Directors on 20 February 2015.

2 DEFINITIONS

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

The financial statements have been prepared *in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been prepared* under the historical cost convention, except available for sale financial assets 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 ADOPTED

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that have had a material impact on the Bank.

3.3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these are expected to have an effect on the financial statements of the Bank, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Bank is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU. The Bank will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board.

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

3 BASIS OF PREPARATION continued

3.4 SIGNIFICANT JUDGMENTS AND ESTIMATES

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.

Going concern

The Bank's directors have made an assessment of the Bank'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.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES continued

Sukuk

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

Murabaha and other Islamic Financing

Murabaha and other Islamic Financing fee and commission income is recognised when the related services are performed. Origination fees relating to financing activities are deferred and recognised as an adjustment to the effective profit rate.

Profit distribution

Profit distributions 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 cash payments through the agreed payment term of the contract to the carrying amount of the financial liability.

Financial instruments

(i) Classification

The Bank classifies its financial instruments in the following categories:

Financial assets or financial liabilities at amortised cost

Balances and wakala deposits with Islamic banks and other financial institutions 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 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.

Murabaha and other Islamic financing

Murabaha and other Islamic financing i.e. customer financing are measured at amortised cost, if both the following conditions are met:

- the asset is held within a business model whose objective is to hold asset in order to collect contractual cash flows; and
- the contractual term of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Murabaha with financial institutions are stated at amortised cost less provisions for impairment and deferred or expected profits.

Held to maturity sukuk

Held to maturity investments 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.

Available for sale sukuk

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES continued

(ii) *Recognition / De-recognition*

The Bank initially recognises financial assets held to maturity on the trade 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.

A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset expires 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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES continued

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 2014.

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 2014 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.

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.

Operating leases

Costs in respect of operating leases are charged against profit for the year on a straight line basis over the term of the lease. Lease incentives are recognised on the same basis over the lease term.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES continued**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.

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.

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

	<i>31 December</i> 2014 GBP	<i>31 December</i> 2013 GBP
Income from wakala investments with financial institutions	79,265	90,701
Income from international murabaha	<u>18,514</u>	<u>24,439</u>
	<u>97,779</u>	<u>115,140</u>

6 INCOME FROM MURABAHA AND OTHER ISLAMIC FINANCING WITH CUSTOMERS

	<i>31 December</i> 2014 GBP	<i>31 December</i> 2013 GBP
Goods murabaha	<u>991,119</u>	<u>325,031</u>
	<u>991,119</u>	<u>325,031</u>

7 INVESTMENT INCOME ON SUKUK

	<i>31 December</i> 2014 GBP	<i>31 December</i> 2013 GBP
Investment income on sukuk	<u>796,713</u>	<u>674,707</u>
	<u>796,713</u>	<u>674,707</u>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

8 FEES AND COMMISSION INCOME, NET

	<i>31 December</i> <i>2014</i> <i>GBP</i>	<i>31 December</i> <i>2013</i> <i>GBP</i>
Fees and commission income		
Fees and commission income on cards	63,747	65,453
Fees and commission income on murabaha and other Islamic financing	253,715	-
Account maintenance fees	32,030	29,078
Others	<u>18,691</u>	<u>17,458</u>
Total fees and commission income	<u>368,183</u>	<u>119,989</u>
Fees and commission expenses		
Card related fees and commission expenses	(56,838)	(54,450)
Other fees and commission expenses	<u>(15,460)</u>	<u>(11,314)</u>
Total fees and commission expenses	<u>(72,298)</u>	<u>(65,764)</u>
Fees and commission income, net	<u>295,885</u>	<u>46,225</u>

9 EMPLOYEES' COSTS

	<i>31 December</i> <i>2014</i> <i>GBP</i>	<i>31 December</i> <i>2013</i> <i>GBP</i>
Salaries and wages (Including directors)	1,718,653	696,724
Pension costs (Including directors)	79,467	37,510
Other staff expenses	<u>380,473</u>	<u>145,596</u>
	<u>2,178,593</u>	<u>879,830</u>

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

	<i>2014</i> <i>Number</i>	<i>2013</i> <i>Number</i>
Average for the year - management	4	2
Average for the year – non management	<u>16</u>	<u>8</u>

9.1 Directors' emoluments

	<i>31 December</i> <i>2014</i> <i>GBP</i>	<i>31 December</i> <i>2013</i> <i>GBP</i>
Directors' remuneration	<u>459,909</u>	<u>506,041</u>

The aggregate of remuneration of the highest paid director was £260,250 (2013: £Nil) and Bank pension contributions of £15,898 (2013: £Nil) were made on his behalf.

The remuneration of some directors is included in the accounts of ADIB Group 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 totalled £14,000.

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

10 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31 December</i> <i>2014</i> <i>GBP</i>	<i>31 December</i> <i>2013</i> <i>GBP</i>
Legal and professional expenses	861,269	354,128
Operating lease	877,741	810,384
Premises expenses	398,325	259,465
Marketing and advertising expenses	3,000	32,860
Communication expenses	33,892	16,895
Hardware and software expenses	384,770	116,342
Other expenses	<u>324,459</u>	<u>188,210</u>
	<u>2,883,456</u>	<u>1,778,284</u>

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

	<i>31 December</i> <i>2014</i> <i>GBP</i>	<i>31 December</i> <i>2013</i> <i>GBP</i>
Auditors' remuneration		
Fees payable to the Bank's auditor for the audit of financial statements	31,500	30,000
Fees payable to Bank's auditors for other services;		
Tax compliance	<u>17,265</u>	<u>29,734</u>
	<u>48,765</u>	<u>59,734</u>

11 DISTRIBUTION TO DEPOSITORS

	<i>31 December</i> <i>2014</i> <i>GBP</i>	<i>31 December</i> <i>2013</i> <i>GBP</i>
Bank Wakala deposits	267,308	324,662
Investment accounts	<u>2,613</u>	<u>3,458</u>
	<u>269,921</u>	<u>328,120</u>

12 TAXATION

	<i>31 December</i> <i>2014</i> <i>GBP</i>	<i>31 December</i> <i>2013</i> <i>GBP</i>
Current tax:		
United Kingdom Corporation tax on profit for the year	-	<u>(151,294)</u>
Deferred tax:	-	-
Total tax charge/(credit) for the year	<u>-</u>	<u>151,294</u>

Factor affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for the period of 21.50% (2013 – 23.25%). The differences are explained below.

Loss on ordinary activities before tax	<u>(3,740,068)</u>	<u>(2,441,216)</u>
Tax losses on ordinary activities GBP 3,740,068 multiplied by the standard the standard rate of corporation tax in the UK of 21.50% (2013 – 23.25%)	(804,115)	(567,582)

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

12 TAXATION continued

Effects of:

Expenses not deductible for tax	38,331	45,804
Change in tax rates	53,427	-
Deferred tax not recognised	<u>712,357</u>	<u>370,484</u>
Total tax charge/(credit) for the year	<u>-</u>	<u>(151,294)</u>

A deferred tax asset has not been recognised in view of the uncertainty about future profitability which in the opinion of directors makes the recovery of the asset uncertain. The unrecognised deferred tax asset is in relation to trading losses of £6,748,680 (gross) and capital allowances in excess of depreciation is £194,595 (gross) (2013: trading losses of £3,576,162 (gross) and depreciation in excess of capital allowances of £86,353 (gross)).

The headline rate of UK corporation tax reduced from 23% to 21% on 1 April 2014, and through the enactment of Finance Act 2013 will reduce further to 20% from 1 April 2015.

On 3 December 2014 the Chancellor of the Exchequer announced that the UK Government will introduce legislation in the Finance Bill 2015, which will restrict the proportion of banks' annual taxable profit that can be offset by certain carried forward tax losses. The restriction will take effect from 1 April 2015 and will apply to relevant tax losses arising prior to this date. Tax losses arising in the first 5 years of the bank commencing a banking activity, as well as tax losses arising in an accounting period prior to the one in which the company began undertaking a banking activity are not included within the restriction.

The Chancellor's announcement had not been enacted or substantively enacted at the balance sheet date and accordingly does not impact the tax balances of the Company at 31 December 2014. Furthermore, the Directors of the Company are of the opinion that the tax losses carried forward at 31 December 2014 fall outside the restriction as they arose within the first 5 years of the Company undertaking a banking activity.

13 CASH

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Cash on hand	<u>144,861</u>	<u>70,855</u>

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

UK	<u>144,861</u>	<u>70,855</u>
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14 BALANCES AND WAKALA DEPOSITS WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Current accounts	7,692,995	11,256,562
Wakala deposits	<u>-</u>	<u>9,750,068</u>
	<u>7,692,995</u>	<u>21,006,630</u>

In accordance with Shari'a principles deposits are invested only with Islamic financial institutions. The Bank does not earn profits on current accounts with banks and financial institutions.

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

14 BALANCES AND WAKALA DEPOSITS WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS *continued*

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

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
UAE	2,266,429	3,246,220
UK	<u>5,426,566</u>	<u>17,760,410</u>
	<u>7,692,995</u>	<u>21,006,630</u>

15 MURABAHA WITH FINANCIAL INSTITUTIONS

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Murabaha	<u>16,006,068</u>	<u>10,025,077</u>

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

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
UAE	7,002,654	-
UK	<u>9,003,414</u>	<u>10,025,077</u>
	<u>16,006,068</u>	<u>10,025,077</u>

16 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Goods murabaha	15,959,000	7,000,000
Others	<u>1,000</u>	<u>5,780</u>
	<u>15,960,000</u>	<u>7,005,780</u>

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

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
UK	<u>15,960,000</u>	<u>7,005,780</u>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

17 INVESTMENT SECURITIES HELD TO MATURITY

The analysis of the Bank's investments held to maturity is as follows:

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
<i>Investments held to maturity:</i>		
Investment in sukuk 1 January	602,662	39,647,663
Addition during the year	-	602,662
Foreign exchange gain on investment	42,076	-
Sukuk transferred to available for sale	<u>-</u>	<u>(39,647,663)</u>
Investment in sukuk 31 December	<u>644,738</u>	<u>602,662</u>

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

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
UAE	<u>644,738</u>	<u>602,662</u>

18 INVESTMENT SECURITIES AVAILABLE FOR SALE

The analysis of the Bank's investments held as available for sale instrument is as follows:

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
<i>Investments carried at fair value:</i>		
Investment in sukuk 1 January	39,258,508	39,647,663
Additions to investments	19,070,275	-
Sales of investments	(10,602,080)	-
Foreign exchange gain/(loss) on available for sale investments	2,602,710	(1,039,880)
(Decrease)/ Increase in fair value	<u>(272,071)</u>	<u>650,725</u>
Value of financial asset available for sale	<u>50,057,342</u>	<u>39,258,508</u>

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

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Other Middle East	38,462,122	39,258,508
UK	5,184,000	-
Hong Kong	<u>6,411,220</u>	<u>-</u>
	<u>50,057,342</u>	<u>39,258,508</u>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

19 SHARI'A ALTERNATIVE FOR DERIVATIVE FINANCIAL INSTRUMENTS

	<i>31 December</i> 2014 GBP	<i>31 December</i> 2013 GBP
Fair value (loss)/gain on forward (wa'ad) foreign exchange	<u>(123,940)</u>	<u>155,799</u>

The Bank entered into forward (wa'ad) foreign exchange in the year to manage its foreign currency exposures. The movement in the fair value of forward (wa'ad) foreign exchange is included in the Statement of Comprehensive Income. As at 31 December 2014 there was an unrealised loss of £123,940 (2013: gain £155,799).

20 OTHER ASSETS

	<i>31 December</i> 2014 GBP	<i>31 December</i> 2013 GBP
VAT Receivable	112,550	49,327
Prepaid expenses	367,249	254,370
Income receivable	490,760	410,690
Others	<u>89,473</u>	<u>27,060</u>
	<u>1,060,032</u>	<u>741,447</u>

21 PROPERTY AND EQUIPMENT

	<i>Furniture & leasehold improvements</i> GBP	<i>Computer & office equipment</i> GBP	<i>Total</i> GBP
2014			
Cost			
At 1 January 2014	2,804,140	1,014,647	3,818,787
Additions during the year	187,979	158,406	346,385
At 31 December 2014	<u>2,992,119</u>	<u>1,173,053</u>	<u>4,165,172</u>
Depreciation			
At 1 January 2014	650,961	408,908	1,059,869
Charge in the year	400,591	263,363	663,954
At 31 December 2014	<u>1,051,552</u>	<u>672,271</u>	<u>1,723,823</u>
Net book value 31 December 2014	<u>1,940,567</u>	<u>500,782</u>	<u>2,441,349</u>
2013			
Cost			
At 1 January	2,804,140	1,083,898	3,888,038
Additions	-	12,867	12,867
At 31 December	<u>2,804,140</u>	<u>(82,118)</u>	<u>(82,118)</u>
	<u>2,804,140</u>	<u>1,014,647</u>	<u>3,818,787</u>
Depreciation			
At 1 January	250,370	169,255	419,625
Charge for the year	400,591	257,616	658,207
At 31 December	<u>650,961</u>	<u>(17,963)</u>	<u>(17,963)</u>
	<u>650,961</u>	<u>408,908</u>	<u>1,059,869</u>
Net book value 31 December 2013	<u>2,153,179</u>	<u>605,739</u>	<u>2,758,918</u>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

22 DUE TO FINANCIAL INSTITUTIONS

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Current accounts	2,120	3,452
Wakala deposits	16,032,130	7,000,000
Investment deposit	26,300,344	24,757,357
	<u> </u>	<u> </u>
Due to financial institutions	42,334,594	31,760,809
	<u> </u>	<u> </u>

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

Other Middle East	2,120	3,452
UAE	42,332,474	31,757,357
	<u> </u>	<u> </u>
	42,334,594	31,760,809
	<u> </u>	<u> </u>

The investment deposit comprises unsecured amounts advanced from Abu Dhabi Islamic Bank PJSC, the bank's parent undertaking and carries a profit rate of 0.5772% per annum paid on a quarterly basis on the deposit. The deposit has a maturity date of not less than 10 years from the 28 April 2014, repayment is subject to the prior consent of the PRA. In the event of liquidation the deposit would rank behind the claims of other creditors.

The wakala deposit comprises amounts advanced from Abu Dhabi Islamic Bank PJSC as collateral against a murabaha financing extended to a third party.

23 DEPOSITORS' ACCOUNTS

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Current accounts	25,666,342	20,068,032
Investment accounts	791,789	913,440
	<u> </u>	<u> </u>
	26,458,131	20,981,472
	<u> </u>	<u> </u>

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

Industry sector:

Individuals	21,755,385	19,014,709
Corporates	4,702,746	1,966,763
	<u> </u>	<u> </u>
	26,458,131	20,981,472
	<u> </u>	<u> </u>

Geographic region:

UK	2,809,133	1,061,618
Rest of the world	23,648,998	19,919,854
	<u> </u>	<u> </u>
	26,458,131	20,981,472
	<u> </u>	<u> </u>

Currency:

GBP	26,458,131	20,981,472
	<u> </u>	<u> </u>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

24 OTHER LIABILITIES

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Deferred income	269,232	453,849
Accounts payable	319,431	81,341
Accrued expenses	473,742	419,982
Other liabilities - Staff related	<u>410,922</u>	<u>298,691</u>
	<u>1,473,327</u>	<u>1,253,863</u>

25 SHARE CAPITAL

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
<i>Authorised and fully paid up share capital:</i>		
Issue of ordinary share capital		
ordinary shares of £1 each at the beginning of the year	31,934,000	10,000,000
ordinary shares of £1 each issued in the year	<u>-</u>	<u>21,934,000</u>
ordinary shares of £1 each at the end of the year	<u>31,934,000</u>	<u>31,934,000</u>

26 FINANCIAL COMMITMENTS

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
The Bank's principal operational premises are leased		
The cumulative commitments under non-cancellable operating leases are as follows:		
Within one year	927,725	800,000
In two to five years	3,710,900	3,200,000
After five years	<u>5,438,625</u>	<u>5,600,000</u>
	<u>10,077,250</u>	<u>9,600,000</u>

27 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Undrawn facilities commitments	<u>4,181,000</u>	<u>13,140,000</u>

Commitments to extend Islamic credit facilities represent contractual commitments under Islamic financing contracts. Commitments generally have fixed expiration dates or other termination clauses and normally requires the payment of a fee. Since commitment may expire without being drawn, the total contract amounts do not necessarily represent future cash requirements.

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

28 CASH AND CASH EQUIVALENTS

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Cash	144,861	70,855
Balances and wakala deposits with Islamic banks and other financial institutions, short term	7,692,995	21,006,630
Murabaha with financial institutions, short term	16,006,068	10,025,077
	<u>23,843,924</u>	<u>31,102,562</u>

29 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.

Transactions with related parties included in the Statement of Comprehensive Income:

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Profit paid on investment deposits	<u>269,921</u>	<u>328,120</u>

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

	<i>31 December 2014 GBP</i>	<i>31 December 2013 GBP</i>
Balances and wakala deposits with Islamic banks and other financial institutions	2,266,429	3,246,220
Due to financial institutions	42,334,594	31,760,809
Other Assets	<u>89,474</u>	<u>27,060</u>
Fair value of forward (wa'ad) foreign exchange contracts	<u>(123,940)</u>	<u>155,799</u>
Off balance sheet		
Standby Letter of Credit Guarantee	<u>4,181,000</u>	<u>20,140,000</u>

Profit rates earned on balances and wakala deposits with banks and financial institutions extended to related parties during the year ranged from 0% to 0.8% (2013: 0% to 0.8% per annum).

Profit rates paid on due to financial institution and investment deposits placed by related parties during the year ranged from 0% to 1.25% per annum (2013: 0% to 1% per annum).

The credit related commitment is a Standby Letter of Credit Guarantee given by the parent company is in respect of murabaha financing provided to a third party.

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30 SEGMENT INFORMATION

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

All segment revenues, expenses, operating losses (margin), assets and liabilities pertain to the retail segment.

The Bank operates principally in only one geographic area, the United Kingdom and in one sector, retail. Accordingly no further geographical analysis of segment revenues, expenses, operating losses (margin), assets and liabilities is given.

31 RISK MANAGEMENT**31.1 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. Currently the Bank has provided a single financing facility, this is fully cash collateralised. Individual counterparty limits are set in relation to credit exposures for wakala and murabaha deposits, the exposures are monitored on a daily basis. The credit limits are reviewed on an annual basis.

31.1.1 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 master netting and collateral agreements.

		<i>Gross maximum exposure</i>	<i>Gross maximum exposure</i>
		<i>2014</i>	<i>2013</i>
	<i>Notes</i>	<i>GBP</i>	<i>GBP</i>
Balances and wakala deposits with Islamic banks and other financial institutions	13	7,692,995	21,006,630
Murabaha with financial institutions	14	16,006,068	10,025,077
Murabaha and other Islamic financing	15	15,960,000	7,005,780
Investments held to maturity	16	644,738	602,662
Investments available for sale	17	50,057,342	39,258,508
Forward (wa'ad) foreign exchange revaluation gain	18	-	155,799
Other assets (excluding prepaid expenses)	20	692,783	741,447
		<hr/>	<hr/>
		91,053,926	78,795,903
Off balance sheet commitment	26	4,181,000	13,140,000
		<hr/>	<hr/>
Total credit risk exposure		<u>95,234,926</u>	<u>91,935,903</u>

ADIB (UK) LIMITED

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31 December 2014

31 RISK MANAGEMENT continued

31.2 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.

	<i>Balances and wakala deposits with Islamic bank and other financial institutions</i>	<i>Murabaha and mudaraba with financial institutions</i>	<i>Investments</i>	<i>Financing</i>	<i>Other assets</i>	<i>Total</i>
	GBP	GBP	GBP	GBP	GBP	GBP
31 December 2014						
UAE	2,266,429	7,002,654	644,738	-	-	9,913,821
Middle East	-	-	38,462,122	-	-	38,462,122
UK	5,426,566	9,003,414	5,184,000	15,960,000	692,783	36,266,763
Far East	-	-	6,411,220	-	-	6,411,220
Financial assets subject to credit risk	7,692,995	16,006,068	50,702,080	15,960,000	692,783	91,053,926
UK Committed facilities	-	-	-	4,181,000	-	4,181,000
Total	7,692,995	16,006,068	50,702,080	20,141,000	692,783	95,234,926
31 December 2013						
UAE	3,246,220	-	602,662	-	-	3,848,882
Middle East	-	-	39,258,508	-	-	39,258,508
UK	17,760,410	10,025,077	-	7,005,780	897,246	35,688,513
Financial assets subject to credit risk	21,006,630	10,025,077	39,861,170	7,005,780	897,246	78,795,903
UK Committed facilities	-	-	-	13,140,000	-	13,140,000
Total	21,006,630	10,025,077	39,861,170	20,145,780	897,246	91,935,903

NOTES TO THE FINANCIAL STATEMENTS
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31 RISK MANAGEMENT continued

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

	<i>Balances and wakala deposits with Islamic bank and other financial institutions</i>	<i>Murabaha and mudaraba with financial institutions</i>	<i>Investments</i>	<i>Financing</i>	<i>Other assets</i>	<i>Total</i>
	GBP	GBP	GBP	GBP	GBP	GBP
31 December 2014						
Financial institutions	7,692,995	16,006,068	38,462,122	-	692,783	62,853,968
Governments	-	-	11,595,220	-	-	11,595,220
Corporate	-	-	644,738	-	-	644,738
Real estate	-	-	-	15,959,000	-	15,959,000
Retail	-	-	-	1,000	-	1,000
Financial assets subject to credit risk	7,692,995	16,006,068	50,702,080	15,960,000	692,783	91,053,926
UK Committed facilities	-	-	-	4,181,000	-	4,181,000
Total	7,692,995	16,006,068	50,702,080	20,141,000	-	95,234,926
31 December 2013						
Financial institutions	21,006,630	10,025,077	39,861,170	-	642,824	71,535,701
Real estate	-	-	-	7,000,000	254,422	7,254,422
Retail	-	-	-	5,780	-	5,780
Financial assets subject to credit risk	21,006,630	10,025,077	39,861,170	7,005,780	897,246	78,795,903
UK Committed facilities	-	-	-	13,140,000	-	13,140,000
Total	21,006,630	10,025,077	39,861,170	20,145,780	-	91,935,903

ADIB (UK) LIMITED

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31 December 2014

31.3 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 table shows the maximum exposure (excluding committed facilities) to credit risk for murabaha, investments and other Islamic financing.

	<i>Balances and wakala deposits with Islamic bank and other financial institutions</i>	<i>Balances and wakala deposits with Islamic bank and other financial institutions</i>	<i>Investments</i>	<i>Murabaha and other Islamic financing</i>
	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>
31 December 2014				
Neither past due nor impaired and the carrying amount	<u>7,692,995</u>	<u>16,006,068</u>	<u>50,702,080</u>	<u>15,960,000</u>
Financial assets subject to credit risk	<u>7,692,995</u>	<u>16,006,068</u>	<u>50,702,080</u>	<u>15,960,000</u>
31 December 2013				
Neither past due nor impaired and the carrying amount	<u>21,006,630</u>	<u>10,025,077</u>	<u>39,861,170</u>	<u>7,005,780</u>
Financial assets subject to credit risk	<u>21,006,630</u>	<u>10,025,077</u>	<u>39,861,170</u>	<u>7,005,780</u>

The credit quality of financial assets (including committed facilities) that are neither past due nor impaired are set out in the following tables which show the exposure values associated with each credit quality step for credit exposures under the standardised approach. For risk weighting purposes external credit ratings provided by Fitch have been exclusively used for Financial Institutions.

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<i>Fitch Rating (where Applicable)</i>	<i>Exposure Values (GBP thousands)</i>	<i>Exposure Values after mitigation (GBP thousands)</i>
<i>AAA</i>	<i>50,057</i>	<i>50,057</i>
<i>A+</i>	<i>9,266</i>	<i>9,266</i>
<i>A</i>	<i>5,427</i>	<i>5,427</i>
<i>BBB</i>	<i>644</i>	<i>644</i>
<i>N/A</i>	<i>29,841</i>	<i>9,701</i>
<i>Total per Credit Risk Concentration</i>	<i>95,235</i>	<i>75,095</i>

31 December 2013

<i>Fitch Rating (where Applicable)</i>	<i>Exposure Values (GBP thousands)</i>	<i>Exposure Values after mitigation (GBP thousands)</i>
<i>AAA</i>	<i>39,259</i>	<i>39,259</i>
<i>A+</i>	<i>2,715</i>	<i>2,715</i>
<i>A</i>	<i>18,382</i>	<i>18,382</i>
<i>BBB</i>	<i>603</i>	<i>603</i>
<i>N/A</i>	<i>30,977</i>	<i>17,837</i>
<i>Total</i>	<i>91,936</i>	<i>78,796</i>

The largest exposure value represents the Bank's investment in the Islamic Development Bank (by way of a Sukuk), a multilateral Development Bank.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2014

31.4 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. A contingency funding plan is in place, with early warning indicators monitored daily. The Bank operates within the Prudential Regulatory Authority liquidity regime. There were no breaches of regulatory limits during 2014.

31.4.1 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.

	<i>Less than 3 months GBP</i>	<i>3 months to 1 year GBP</i>	<i>1 year to 5 years GBP</i>	<i>Over 5 years GBP</i>	<i>Total GBP</i>
31 December 2014					
ASSETS					
Cash and balances	144,861	-	-	-	144,861
Balances and wakala deposits with Islamic banks and other financial institutions	7,692,995	-	-	-	7,692,995
Murabaha with financial institutions	16,006,068	-	-	-	16,006,068
Murabaha and other Islamic financing	-	1,000	15,959,000	-	15,960,000
Investments	-	25,359,112	25,342,968	-	50,702,080
Other assets (excluding prepaid expenses)	692,783	-	-	-	692,783
Financial assets	24,536,707	25,360,112	41,301,968	-	91,198,787
Non-financial assets					2,441,349
Total assets					93,640,136
LIABILITIES					
Due to financial institutions	2,120	-	16,032,130	26,300,344	42,334,594
Depositors' accounts	26,258,131	200,000	-	-	26,458,131
Shari'a alternative for derivative Financial Instruments	123,940	-	-	-	123,940
Other liabilities	1,473,327	-	-	-	1,473,327
Total liabilities	27,857,518	200,000	16,022,853	26,309,621	70,389,992
	<i>Less than 3 months GBP</i>	<i>3 months to 1 year GBP</i>	<i>1 year to 5 years GBP</i>	<i>Over 5 years GBP</i>	<i>Total GBP</i>
31 December 2013					
ASSETS					
Cash and balances	70,855	-	-	-	70,855
Balances and wakala deposits with Islamic banks and other financial institutions	21,006,630	-	-	-	21,006,630
Murabaha with financial institutions	10,025,077	-	-	-	10,025,077
Investments	-	5,780	35,407,080	-	35,412,860
Other assets	155,799	590,397	151,050	-	897,246
Financial assets	31,258,361	596,177	35,558,130	-	67,412,668
Non-financial assets					2,758,918
Total assets					70,171,586
LIABILITIES					
Due to financial institutions	-	-	7,000,000	24,760,809	31,760,809
Depositors' accounts	20,421,472	560,000	-	-	20,981,472
Other liabilities	800,014	226,924	226,925	-	1,253,863
Total liabilities	21,221,486	786,924	7,226,925	24,760,809	53,996,144

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

31.4 Liquidity risk and funding management continued

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December based on contractual undiscounted repayment obligations, including cash flows pertaining to principal repayment and profit payable to maturity.

	<i>Less than 3 months GBP</i>	<i>3 months to 1 year GBP</i>	<i>1 year to 5 years GBP</i>	<i>Over 5 years GBP</i>	<i>Total GBP</i>
31 December 2014					
LIABILITIES					
Due to financial institutions	2,120	-	16,041,407	26,364,197	42,407,724
Depositors' accounts	26,258,397	200,627	-	-	26,459,024
Other liabilities	<u>1,597,270</u>	-	-	-	<u>1,597,270</u>
Total liabilities	<u>27,857,787</u>	<u>200,627</u>	<u>16,041,407</u>	<u>26,364,197</u>	<u>70,464,018</u>
31 December 2013					
LIABILITIES					
Due to financial institutions	-	-	7,324,661	24,760,809	32,085,470
Depositors' accounts	20,381,472	600,994	-	-	20,982,466
Other liabilities	<u>800,014</u>	<u>226,924</u>	<u>226,925</u>	-	<u>1,253,863</u>
Total liabilities	<u>21,181,486</u>	<u>827,918</u>	<u>7,551,586</u>	<u>24,760,809</u>	<u>54,321,799</u>

The disclosed financial instruments in the above table are the net undiscounted cash flows. However, those amounts may be settled gross or net.

31.4.2 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability of the 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.

<i>Currency</i>	<i>Increase in basis points</i>	<i>Sensitivity of profit on financial assets and liabilities 2014 GBP</i>	<i>Sensitivity of profit on financial assets and liabilities 2013 GBP</i>
GBP	50	111,975	95,521
USD	50	-	-

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

31 RISK MANAGEMENT continued

31.5 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) contracts 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).

	<i>% Increase currency rates</i>	<i>Effect on net profit GBP</i>	<i>Effect on equity GBP</i>
31 December 2014			
<i>Currency</i>			
USD	<u>5</u>	<u>(2,604)</u>	<u>(2,604)</u>
31 December 2013			
<i>Currency</i>			
USD	<u>5</u>	<u>68,836</u>	<u>24,972</u>

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

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

	<i>GBP GBP</i>	<i>USD GBP</i>	<i>Total GBP</i>
31 December 2014			
Assets			
Cash and balances	144,861	-	144,861
Balances and wakala deposits with Islamic banks and other financial institutions	7,266,705	426,290	7,692,995
Murabaha with financial institutions	16,006,068	-	16,006,068
Murabaha and other Islamic financing	15,960,000	-	15,960,000
Investments held to maturity	-	644,738	644,738
Investments available for sale	5,184,000	44,873,342	50,057,342
Property and equipment	2,441,349	-	2,441,349
Other assets	<u>1,024,191</u>	<u>35,841</u>	<u>1,060,032</u>
	<u>48,027,174</u>	<u>45,980,211</u>	<u>94,007,385</u>
Liabilities			
Due to financial institutions	16,024,973	26,309,621	42,334,594
Depositors' accounts	26,458,131	-	26,458,131
Shari'a alternative for derivative financial instruments	123,940	-	123,940
Other liabilities	<u>1,250,268</u>	<u>223,059</u>	<u>1,473,327</u>
	<u>43,857,312</u>	<u>26,532,680</u>	<u>70,389,992</u>
Off Balance sheet			
FX forward Contracts	19,535,878	(19,659,818)	(123,940)
31 December 2013			
Assets			
Cash and balances	70,855	-	70,855
Balances and wakala deposits with Islamic banks and other financial institutions	20,038,335	968,295	21,006,630
Murabaha with financial institutions	10,025,077	-	10,025,077
Murabaha and other Islamic financing	7,005,780	-	7,005,780
Investments held to maturity	-	602,662	602,662
Investments available for sale	-	39,258,508	39,258,508
Shari'a alternative for derivative financial instruments	155,799	-	155,799
Property and equipment	2,758,918	-	2,758,918
Other assets	<u>590,715</u>	<u>150,732</u>	<u>741,447</u>
	<u>40,645,479</u>	<u>40,980,197</u>	<u>81,625,676</u>

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31 RISK MANAGEMENT continued

Liabilities			
Due to financial institutions	7,000,000	24,760,809	31,760,809
Depositors' accounts	20,981,472	-	20,981,472
Other liabilities	<u>1,244,733</u>	<u>9,130</u>	<u>1,253,863</u>
	<u>29,226,205</u>	<u>24,769,939</u>	<u>53,996,144</u>
Off Balance sheet			
FX forward Contracts	15,000,000	14,844,201	155,799

31.6 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.

31.7 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.

Overall responsibility for the management of operational risk lies with the Board 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.

31.8 Capital management

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 2014.

Tier 1 Capital

		<i>31 December</i>	<i>31 December</i>
		<i>2014</i>	<i>2013</i>
	<i>Note</i>	<i>GBP</i>	<i>GBP</i>
Ordinary share capital		31,934,000	31,934,000
Accumulated loss		<u>(8,533,328)</u>	<u>(4,803,899)</u>
Total tier 1 capital		23,400,672	27,130,101
Tier 2 Capital (investment deposit)	22	<u>23,400,672</u>	<u>24,757,357</u>
Total regulatory capital		<u>46,801,344</u>	<u>51,887,458</u>

At 31 December 2014 and throughout the year, the Bank complied with the capital requirements that were in force as set out by the PRA.

The PRA has assessed the Bank's initial ICAAP and set Individual Capital Guidance (ICG) for the Bank.

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

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31 December 2014

32 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, murabaha 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, murabaha 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. The directors do not consider this fair value has changed from the initial issue despite tightening credit spreads in the marketplace.

Fair value of investments held to maturity

	<i>Carrying amount GBP</i>	<i>Fair value GBP</i>
31 December 2014		
Sukuk held to maturity (note 17)	<u>644,738</u>	<u>655,379</u>
31 December 2013		
Sukuk held to maturity	<u>602,662</u>	<u>601,122</u>

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.

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

	Level 1 £	Level 2 £	Level 3 £	Total £
31 December 2014				
Financial assets at fair value through profit and loss				
- Sukuk instruments	-	-	-	-
- Equity instruments	-	-	-	-
Derivative financial instruments	-	(123,940)	-	(123,940)
Investments securities available for sale				
- Equity instruments	-	-	-	-
- Sukuk instruments	50,057,342	-	-	50,057,342
Total Assets	<u>50,057,342</u>	<u>(123,940)</u>	<u>-</u>	<u>49,933,402</u>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

32 FAIR VALUE OF FINANCIAL INSTRUMENTS *continued*

31 December 2013

Financial assets at fair value through profit and loss

- Sukuk instruments	-	-	-	-
- Equity instruments	-	-	-	-
Derivative financial instruments	-	155,799	-	155,799
Investments securities available for sale				
- Equity interests	-	-	-	-
- Sukuk Instruments	39,258,508	-	-	39,258,508
Total Assets	39,258,508	155,799	-	39,414,307

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 December 2014	Carrying Amount	Fair value	Level 1 £	Level 2 £	Level 3 £	Total £
Investments securities held to maturity	644,738	655,379	655,379			655,379
Total Assets	644,738	655,379	655,379	-	-	655,379

31 December 2013	Carrying Amount	Fair value	Level 1 £	Level 2 £	Level 3 £	Total £
Investments securities held to maturity	602,662	602,662	602,662			602,662
Total Assets	602,662	602,662	602,662	-	-	602,662

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

Valuation of Sukuk securities in issue above: Sukuk securities are valued using a cash flow model, discounted as appropriate to the security's funding and profit rates.

NOTES TO THE FINANCIAL STATEMENTS

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33 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

34 EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet events.

35 PRA PILLAR 3 DISCLOSURES

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