

# **ADIB (UK) LIMITED**

REPORTS OF THE BOARD OF DIRECTORS AND  
FINANCIAL STATEMENTS

Registered Number: 07327879

31 DECEMBER 2016

# ADIB (UK) LIMITED

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## FINANCIAL STATEMENTS

Year ended 31 December 2016

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# ADIB (UK) LIMITED

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## FINANCIAL STATEMENTS

Year ended 31 December 2016

### **Directors**

Nuhad Saliba  
Michael Robert Hanlon  
David John Smith  
Sarvesh Sarup  
Masarrat Husain  
Keith George McLeod

Chairman

Chief Executive Officer  
Chief Financial Officer

### **Company Secretary**

Amanda Evans (Appointed on 6 January 2016)

### **Registered Office**

9<sup>th</sup> 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

# ADIB (UK) LIMITED

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## BOARD OF DIRECTORS' REPORT

Year ended 31 December 2016

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 2016.

### **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. The Bank provides banking services in London to predominantly 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.

### **Financial commentary**

The financial statements for the year ended 31 December 2016 are shown on pages 10 to 54. The loss for the year is £4,041,486 (2015: loss of £4,094,205).

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 (2015: £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. Nuhad Saliba <sup>1,2</sup>   | Board Member |
| 2. David John Smith <sup>1</sup> | Board Member |

# ADIB (UK) LIMITED

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## BOARD OF DIRECTORS' REPORT

Year ended 31 December 2016

3. Sarvesh Sarup <sup>2</sup>	Board Member	
4. Brian Keith Belcher	Board Member	(Resigned on 9 June 2016)
5. Michael Robert Hanlon <sup>1,2</sup>	Board Member	
6. Masarrat Husain	Board Member	
7. Keith George McLeod	Board Member	

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:

<sup>1</sup>Denotes member of Audit & Risk Committee

<sup>2</sup>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 draft Statutory Audit Directive dated September 2015. 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

**BOARD OF DIRECTORS' REPORT**

Year ended 31 December 2016

**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

# ADIB (UK) LIMITED

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## BOARD OF DIRECTORS' REPORT

Year ended 31 December 2016

### 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 annually.

### 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.

### 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



Masarrat Husain  
Chief Executive Officer  
13 March 2017  
UK

# ADIB (UK) LIMITED

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## STRATEGIC REPORT

Year ended 31 December 2016

### 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, 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 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 Shari’a audits to ensure adherence to rules and principles laid out.

During 2016, the Bank increased its Customer Deposit balances by 33%, with both Current accounts and Investment accounts showing significant increases in customer balances. In addition, the Bank provided over £70m of Ijara financing to customers during the year. The overall loss for the year of £4.0m (2015:£4.1m) was broadly in line with that incurred in 2015. The Bank retains the confidence of ADIB Group.

The Board believes that Bank is appropriately positioned for growth in the UK after becoming established in the UK market place. This year saw the Bank implement its five year business plan which was approved by the Board and concentrated in offering real estate financing opportunities to group customers in the UK, which presents the Bank with an opportunity for further growth in the UK market place.

On the 23 June 2016, the UK voted to leave the European Union a decision that has created a great deal of apprehension and uncertainty in both the political and economic outlook in the UK. The effects of Brexit will continue to reverberate in the short and long term as Businesses and HNWI continue to adopt a cautious attitude as to what the UK may look like post Brexit. Uncertainty will continue to dominate the markets as seen by the pound weakening against the dollar by 21% by the year end. However the Bank also believes 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 believes 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



Masarrat Husain  
Chief Executive Officer  
13 March 2017  
UK

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Year ended 31 December 2016

**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.

# ADIB (UK) LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADIB (UK) LIMITED Year ended 31 December 2016

We have audited the financial statements of ADIB (UK) Limited (the Bank) for the year ended 31 December 2016 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statements of Changes in Equity 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 to 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 and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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, based on the work undertaken in the course of the audit:

- the information given in the Board of Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board of Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADIB (UK) LIMITED  
Year ended 31 December 2016

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have identified no material misstatements in the Board of Directors' Report or Strategic Report. 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

*13 March 2017*

# ADIB (UK) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	<i>Notes</i>	<b>31-Dec 2016 GBP</b>	<i>31-Dec 2015 GBP</i>
<b>OPERATING INCOME</b>			
Income from murabaha and wakala with financial institutions	5	71,344	83,421
Investment income on sukuk	6	944,022	856,708
Income from ijara and other Islamic financing with customers	7	1,343,123	806,891
Fees and commission income, net	8	53,256	371,601
Foreign exchange gain		149,088	37,557
Fair value loss on forward (wa'ad) foreign exchange undertakings	19	(265,840)	(40,287)
		<u>2,294,993</u>	<u>2,115,891</u>
<b>OPERATING EXPENSES</b>			
Employees' costs	9	(2,498,701)	(2,513,865)
General and administrative expenses	10	(2,892,512)	(2,769,797)
Depreciation	21	(597,911)	(732,450)
		<u>(5,989,124)</u>	<u>(6,016,112)</u>
<b>LOSS FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS</b>		(3,694,131)	(3,900,221)
Distribution to depositors	11	(347,355)	(193,984)
<b>Loss before taxation</b>		<u>(4,041,486)</u>	<u>(4,094,205)</u>
Corporation tax credit	12	-	-
<b>Loss for the year after taxation and total comprehensive loss for the year</b>		(4,041,486)	(4,094,205)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Cumulative changes in fair value of Available for Sale Asset	18	231,057	(337,837)
Other comprehensive income/(loss), net of tax		<u>231,057</u>	<u>(337,837)</u>
<b>Total comprehensive loss for the year</b>		<u>(3,810,429)</u>	<u>(4,432,042)</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 2016

		<i>31-Dec</i>	<i>31-Dec</i>
		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<b>GBP</b>	<b>GBP</b>
<b>ASSETS</b>			
Cash	13	144,693	264,290
Balances with Islamic banks and other financial institutions	14	19,683,030	11,753,693
Murabaha and wakala deposits with financial institutions	15	7,000,425	9,502,517
Ijara and other Islamic financing	16	70,986,116	-
Investment securities held to maturity	17	811,061	675,802
Investment securities available for sale	18	56,000,378	50,805,133
Other assets	20	898,114	797,872
Property and equipment	21	1,360,797	1,842,902
<b>TOTAL ASSETS</b>		<b><u>156,884,614</u></b>	<b><u>75,642,209</u></b>
<b>LIABILITIES</b>			
Due to financial institutions	22	76,329,893	15,483
Depositors' accounts	23	37,254,232	28,011,931
Shari'a alternative for derivative financial instruments	19	117,329	198,244
Other liabilities	24	1,701,238	2,124,200
<b>TOTAL LIABILITIES</b>		<b><u>115,402,692</u></b>	<b><u>30,349,858</u></b>
<b>EQUITY</b>			
Share capital	25	58,041,000	58,041,000
Accumulated losses		(16,679,658)	(12,638,172)
Cumulative changes in fair value of Available for Sale Asset		120,580	(110,477)
<b>Total equity</b>		<b><u>41,481,922</u></b>	<b><u>45,292,351</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>156,884,614</u></b>	<b><u>75,642,209</u></b>



Masarrat Husain  
Chief Executive Officer  
13 March 2017



Keith McLeod  
Chief Financial Officer  
13 March 2017

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

ADIB (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	<i>Share Capital GBP</i>	<i>Accumulated losses GBP</i>	<i>changes in fair value GBP</i>	<i>Total GBP</i>
Balance at 1 January 2015	31,934,000	(8,543,967)	227,360	23,617,393
Share capital issued	26,107,000	-	-	26,107,000
Loss for the year after taxation	-	(4,094,205)	-	(4,094,205)
Cumulative changes in fair value	-	-	(337,837)	(337,837)
<b>Balance at 1 January 2016</b>	<b>58,041,000</b>	<b>(12,638,172)</b>	<b>(110,477)</b>	<b>45,292,351</b>
Loss for the year after taxation	-	(4,041,486)	-	(4,041,486)
Cumulative changes in fair value of Available for Sale Asset	-	-	231,057	231,057
<b>Balance at 31 December 2016</b>	<b>58,041,000</b>	<b>(16,679,658)</b>	<b>120,580</b>	<b>41,481,922</b>

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

# ADIB (UK) LIMITED

## STATEMENT OF CASHFLOWS

Year ended 31 December 2016

	<i>31-Dec</i>	<i>31-Dec</i>
	<b>2016</b>	<b>2015</b>
<i>Notes</i>	<b>GBP</b>	<b>GBP</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the year before taxation	(4,041,486)	(4,094,205)
Adjustments for:		
Depreciation on property and equipment	21 597,911	732,450
Foreign exchange gain on investments	<u>(5,196,701)</u>	<u>(1,047,006)</u>
Operating loss before changes in operating assets and liabilities	(8,640,276)	(4,408,761)
(Increase)/decrease in Ijara and other Islamic financing	(70,986,116)	15,960,000
(Decrease)/increase in Shari'a alternative for derivative financial instruments	(80,915)	74,304
(Increase)/decrease in other assets	(100,242)	262,161
Increase/(decrease) in due to financial institution	76,314,410	(42,319,111)
Increase in depositors' accounts	9,242,301	1,553,800
(Decrease)/increase in other liabilities	<u>(422,962)</u>	<u>650,871</u>
Net cash from/(used in) operating activities	<u>5,326,200</u>	<u>(28,226,735)</u>
<b>INVESTING ACTIVITIES</b>		
Net disposals/(additions) to available for sale investments	97,254	(69,686)
Purchase of property and equipment	21 (115,806)	(134,003)
Net cash used in investing activities	<u>(18,552)</u>	<u>(203,689)</u>
<b>FINANCING ACTIVITIES</b>		
Share capital issued	-	<u>26,107,000</u>
Net cash used from financing activities	-	26,107,000
<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<u>5,307,648</u>	<u>(2,323,424)</u>
Cash and cash equivalents at 1st January	<u>21,520,500</u>	<u>23,843,924</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	27 <u>26,828,148</u>	<u>21,520,500</u>

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

# ADIB (UK) LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 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 9<sup>th</sup> Floor, 26-28 Hammersmith Grove, London W6 7HA.

The financial statements of the Bank were authorised for issue by the Board of Directors on 22 February 2017.

### 2 DEFINITIONS

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

#### **Mudaraba**

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**

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

**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 2016 that have had a material impact on the Bank.

**3.3 New Standards and interpretations 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 mandatory.

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 mandatory 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, the requirements are generally applied prospectively, with some limited exceptions.

Overall, the Bank expects no significant impact on its balance sheet and equity. More work will be done in 2017 in preparation for the implementation in 2018.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

**3.3 New Standards and interpretations not yet adopted** continued

The Company is yet to assess the full impact of the above and intends to adopt the required changes before their respective effective dates. The Company will also consider the impact of the remaining phases of the above when completed by the International Accounting Standards Board.

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.

**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.

*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.

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.

*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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

**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.

*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 recognised when the related services are performed.

*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.

*Costs of getting financing*

Costs of getting financing are expensed 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 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.

*Ijara and other Islamic financing*

The Ijara is classified as a finance lease, when 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 leased asset to the lessee. Leased assets represents finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. Leased assets are stated at amounts equal to the net investment outstanding in the leases less impairment provisions.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

**SIGNIFICANT ACCOUNTING POLICIES** continued

*Held to maturity investments*

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 investments*

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.

(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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

**SIGNIFICANT ACCOUNTING POLICIES** continued

*(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.

*(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 2016.

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 2016 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.

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### SIGNIFICANT ACCOUNTING POLICIES continued

#### 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.

#### 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.

#### 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

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Income from wakala deposits with financial institutions	46,748	83,421
Income from international murabaha	24,596	-
	<u>71,344</u>	<u>83,421</u>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

6 INVESTMENT INCOME ON SUKUK

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Investment income on sukuk	944,022	856,708
	<u>944,022</u>	<u>856,708</u>

7 INCOME FROM IJARA AND OTHER ISLAMIC FINANCING WITH CUSTOMERS

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Goods murabaha	-	806,891
Ijara	1,343,123	-
	<u>1,343,123</u>	<u>806,891</u>

8 FEES AND COMMISSION INCOME, NET

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
<b>Fees and commission income</b>		
Fees and commission income on cards	66,980	63,744
Fees and commission income related to ijara and other Islamic financing	17,858	295,762
Account maintenance fees	24,459	29,650
Others	20,263	37,812
Total fees and commission income	<u>129,560</u>	<u>426,968</u>
<b>Fees and commission expenses</b>		
Card related fees and commission expenses	(54,963)	(52,072)
Other fees and commission expenses	(21,341)	(3,295)
Total fees and commission expenses	<u>(76,304)</u>	<u>(55,367)</u>
<b>Fees and commission income, net</b>	<u>53,256</u>	<u>371,601</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 9 EMPLOYEES' COSTS

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Salaries and wages (including directors)	2,169,836	2,085,668
Pension costs (including directors)	139,699	97,943
Other staff expenses	189,166	330,254
	<u>2,498,701</u>	<u>2,513,865</u>

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

	<i>2016</i> <i>Number</i>	<i>2015</i> <i>Number</i>
Average for the year - management	5	4
Average for the year - non management	18	22

### 9.1 Directors' emoluments

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Directors' remuneration	<u>669,583</u>	<u>749,824</u>

The aggregate of remuneration of the highest paid director was £296,999 (2015: £241,400) and Bank pension contributions of £18,992 (2015: £14,777) 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 £22,000 (2015: £27,000).

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2016

### 10 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Legal and professional expenses	438,907	439,709
Operating lease	1,046,626	943,504
Premises expenses	379,442	573,873
Communication expenses	141,010	139,941
Hardware and software expenses	550,057	480,269
Other expenses	336,470	192,501
	<u>2,892,512</u>	<u>2,769,797</u>

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

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Auditors' remuneration	35,000	33,500
Fees payable to the Bank's auditor for the audit of financial statements		
Fees payable to Bank's auditors for other services;		
Tax compliance	-	22,731
	<u>35,000</u>	<u>56,231</u>

### 11 DISTRIBUTION TO DEPOSITORS

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Wakala deposits with banks	326,877	185,790
Investment accounts	20,478	8,193
	<u>347,355</u>	<u>193,983</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 12 TAXATION

	<i>31-Dec 2016 GBP</i>	<i>31-Dec 2015 GBP</i>
Current tax:		
United Kingdom Corporation tax on profit for the year	-	-
Deferred tax:	-	-
Total tax charge/(credit) for the year	-	-
 <b>Factor affecting the tax charge for the year</b>		
The tax assessed for the year applies the standard rate of corporation tax in the UK for the period of 20% (2015 – 20.25%).		
Loss on ordinary activities before tax	(4,041,486)	(4,094,205)
Tax losses on ordinary activities GBP 4,041,486 multiplied by the standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	(808,297)	(829,077)
Effects of:		
Expenses not deductible for tax	43,299	(25,559)
Deferred tax not recognised	764,998	854,636
<b>Total tax charge/(credit) for the year</b>	-	-
 <b>Recognised deferred tax asset/(liability) (Net)</b>		
Transitional adjustment	(11,269)	-
AFS investments	(20,499)	-
Tax Losses	31,768	-
	-	-
 <b>Unrecognised deferred tax asset (Gross)</b>		
Fixed Assets	1,116,227	339,589
Tax Losses	13,750,891	10,835,054
	<b>14,867,118</b>	<b>11,174,643</b>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### TAXATION continued

#### Reduction in UK corporation tax rate

The UK Government has 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 2016.

#### Unrecognised deferred tax assets

There is a gross unrecognised deferred tax asset of £14,867,118 (2015: £11,174,643) 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

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Cash on hand	<u>144,693</u>	<u>264,290</u>

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

UK	<u>144,693</u>	<u>264,290</u>
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### 14 BALANCES WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Current accounts	<u>19,683,030</u>	<u>11,753,693</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. Of the balances above £7,565,433 was placed with Abu Dhabi Islamic Bank PJSC.

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### BALANCES WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS continued

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

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
UAE	7,565,433	6,326,047
UK	11,454,141	5,427,646
US	663,456	-
	<u>19,683,030</u>	<u>11,753,693</u>

### 15 MURABAHA AND WAKALA DEPOSITS WITH FINANCIAL INSTITUTIONS

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Murabaha and wakala	<u>7,000,425</u>	<u>9,502,517</u>

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

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Other Middle East	-	3,501,727
UAE	3,000,000	-
UK	4,000,425	6,000,790
	<u>7,000,425</u>	<u>9,502,517</u>

Of the balances above £3,000,000 was placed with Abu Dhabi Islamic Bank PJSC.

### 16 IJARA AND OTHER ISLAMIC FINANCING

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Ijara	70,972,500	-
Others	13,616	-
	<u>70,986,116</u>	<u>-</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2016

### IJARA AND OTHER ISLAMIC FINANCING continued

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

	<b>31-Dec 2016 GBP</b>	<b>31-Dec 2015 GBP</b>
UAE	4,972,500	-
UK	66,013,616	-
	<u>70,986,116</u>	<u>-</u>

### 17 INVESTMENT SECURITIES - HELD TO MATURITY

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

	<b>31-Dec 2016 GBP</b>	<b>31-Dec 2015 GBP</b>
<b><i>Investments held to maturity:</i></b>		
At 1 January	675,802	644,738
Foreign exchange gain on investment	135,259	31,064
At 31 December	<u>811,061</u>	<u>675,802</u>

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

	<b>31-Dec 2016 GBP</b>	<b>31-Dec 2015 GBP</b>
UAE	<u>811,061</u>	<u>675,802</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 18 INVESTMENT SECURITIES - AVAILABLE FOR SALE

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

	<b>31-Dec 2016 GBP</b>	<b>31-Dec 2015 GBP</b>
<b>Investments carried at fair value:</b>		
At 1 January	50,805,133	50,057,342
Additions during the year	11,089,704	28,085,614
Disposals and matured investments during the year	(11,186,958)	(28,015,928)
Foreign exchange gain	5,061,442	1,015,942
Increase/(decrease) in fair value	<u>231,057</u>	<u>(337,837)</u>
At 31 December	<u><u>56,000,378</u></u>	<u><u>50,805,133</u></u>

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

	<b>31-Dec 2016 GBP</b>	<b>31-Dec 2015 GBP</b>
Other Middle East	8,112,485	17,430,810
UAE	14,295,397	2,260,640
UK	20,968,400	20,680,000
Hong Kong	<u>12,624,096</u>	<u>10,433,684</u>
	<u><u>56,000,378</u></u>	<u><u>50,805,133</u></u>

### 19 SHARI'A ALTERNATIVE FOR DERIVATIVE FINANCIAL INSTRUMENTS

	<b>31-Dec 2016 GBP</b>	<b>31-Dec 2015 GBP</b>
Fair value loss of outstanding forward (wa'ad) foreign exchange undertakings	<u>(117,329)</u>	<u>(198,244)</u>
Notional amount by term to maturity less than 3 months	<u><u>46,727,734</u></u>	<u><u>31,351,353</u></u>

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 loss for the year to date loss of £265,840 (2015: loss £40,287).

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 20 OTHER ASSETS

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
VAT Receivable	76,545	53,190
Prepaid expenses	418,611	398,740
Income receivable	402,907	327,973
Others	51	17,969
	<u>898,114</u>	<u>797,872</u>

### 21 PROPERTY AND EQUIPMENT

	Furniture & leasehold improvements	Computer & office equipment	Assets Under Construction	Total
	GBP	GBP	GBP	GBP
<b>2016</b>				
<b>Cost</b>				
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	<u>3,016,286</u>	<u>1,306,649</u>	<u>92,046</u>	<u>4,414,981</u>
<b>Depreciation</b>				
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	<u>1,906,269</u>	<u>1,147,915</u>	<u>-</u>	<u>3,054,184</u>
<b>Net book value</b>				
At 31 December 2016	<u><u>1,110,017</u></u>	<u><u>158,734</u></u>	<u><u>92,046</u></u>	<u><u>1,360,797</u></u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### PROPERTY AND EQUIPMENT continued

2015

#### Cost

At 1 January 2015	2,992,119	1,142,311	30,742	4,165,172
Additions/(disposals) during the year	13,135	145,783	(24,915)	134,003
At 31 December 2015	<u>3,005,254</u>	<u>1,288,094</u>	<u>5,827</u>	<u>4,299,175</u>

#### Depreciation

At 1 January 2015	1,051,552	672,271	-	1,723,823
Charge in the year	423,888	308,562	-	732,450
At 31 December 2015	<u>1,475,440</u>	<u>980,833</u>	<u>-</u>	<u>2,456,273</u>
<b>Net book value</b>				
At 31 December 2015	<u><b>1,529,814</b></u>	<u><b>307,261</b></u>	<u><b>5,827</b></u>	<u><b>1,842,902</b></u>

## 22 DUE TO FINANCIAL INSTITUTIONS

	<i><b>31-Dec</b></i>	<i><b>31-Dec</b></i>
	<i><b>2016</b></i>	<i><b>2015</b></i>
	<i><b>GBP</b></i>	<i><b>GBP</b></i>
Current deposits	3,016	15,483
Wakala deposits	<u>76,326,877</u>	<u>-</u>
	<u><b>76,329,893</b></u>	<u><b>15,483</b></u>

The amounts above are all due to fellow group companies.

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

	<i><b>31-Dec</b></i>	<i><b>31-Dec</b></i>
	<i><b>2016</b></i>	<i><b>2015</b></i>
	<i><b>GBP</b></i>	<i><b>GBP</b></i>
Other Middle East	3,016	15,483
UAE	<u>76,326,877</u>	<u>-</u>
	<u><b>76,329,893</b></u>	<u><b>15,482</b></u>

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

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 23 DEPOSITORS' ACCOUNTS

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Current accounts	31,621,655	25,411,073
Investment accounts	5,632,577	2,600,858
	<u>37,254,232</u>	<u>28,011,931</u>

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

#### *Industry sector:*

Individuals	28,678,768	23,621,765
Corporates	8,575,464	4,390,166
	<u>37,254,232</u>	<u>28,011,931</u>

#### *Geographic region:*

Other Middle East	7,776,989	6,922,196
UAE	11,869,319	5,825,217
UK	7,645,774	2,325,614
Rest of the world	9,962,150	12,938,904
	<u>37,254,232</u>	<u>28,011,931</u>

#### *Currency:*

USD	2,590,802	-
GBP	34,663,430	26,458,131
	<u>37,254,232</u>	<u>26,458,131</u>

### 24 OTHER LIABILITIES

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Deferred income	175,975	-
Accounts payable	270,444	1,113,554
Accrued expenses	776,780	411,826
Other liabilities - Staff related	478,039	598,820
	<u>1,701,238</u>	<u>2,124,200</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 25 SHARE CAPITAL

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>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	58,041,000	31,934,000
Ordinary shares of £1 each issued in the year	-	26,107,000
Ordinary shares of £1 each at the end of the year	<u>58,041,000</u>	<u>58,041,000</u>

### 26 FINANCIAL COMMITMENTS

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
The Bank's principal operational premises are leased		
The cumulative commitments under non-cancellable operating leases are as follows:		
Within one year	1,026,990	927,725
In two to five years	4,107,960	3,710,900
After five years	4,077,326	4,510,900
	<u>9,212,276</u>	<u>9,149,525</u>

### 27 CASH AND CASH EQUIVALENTS

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Cash	144,693	264,290
Balances with Islamic banks and other financial institutions, short term	19,683,030	11,753,693
Murabaha and wakala deposits with financial institutions, short term	7,000,425	9,502,517
	<u>26,828,148</u>	<u>21,520,500</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 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.

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

	<i>31-Dec</i>	<i>31-Dec</i>
	<i>2016</i>	<i>2015</i>
	<i>GBP</i>	<i>GBP</i>
Profit paid on investment deposits	<u>326,877</u>	<u>193,984</u>

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

	<i>31-Dec</i>	<i>31-Dec</i>
	<i>2016</i>	<i>2015</i>
	<i>GBP</i>	<i>GBP</i>
Balances with Islamic banks and other financial institutions	10,565,433	6,341,530
Other Assets	-	84,827
Due to financial institutions	76,003,016	15,483
Other Liabilities	258,045	-
Fair value of forward (wa'ad) foreign exchange undertakings	<u>(117,329)</u>	<u>(198,244)</u>

Profit rates earned on balances with banks and financial institutions extended to related parties during the year ranged from 0% to 0.75% (2015: 0% to 0.5% per annum).

Profit rates paid on due to financial institution and investment deposits placed by related parties during the year ranged from 0% to 1.00% per annum (2015: 0% to 1.0% per annum).

### 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.

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### SEGMENT INFORMATION continued

	<i>2016</i>	<i>2016</i>	<i>2016</i>
	<i>Retail</i>	<i>Real Estate</i>	<i>Treasury</i>
	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>
<b>ASSETS</b>			
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	-	-
<b>TOTAL ASSETS</b>	<b>2,272,527</b>	<b>70,972,500</b>	<b>83,639,587</b>
<b>LIABILITIES</b>			
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	-	-
<b>TOTAL LIABILITIES</b>	<b>38,958,486</b>	<b>66,326,877</b>	<b>10,117,329</b>
	<i>2015</i>	<i>2015</i>	<i>2015</i>
<b>ASSETS</b>			
Cash	-	-	264,290
Balances with Islamic banks and other financial institutions	-	-	11,753,693
Murabaha and wakala deposits with financial institutions	-	-	9,502,517
Ijara and other Islamic financing	-	-	-
Investment securities held to maturity	-	-	675,802
Investments securities available for sale	-	-	56,000,378
Other assets	797,872	-	-
Property and equipment	1,842,902	-	-
<b>TOTAL ASSETS</b>	<b>2,640,774</b>	<b>-</b>	<b>78,196,680</b>
<b>LIABILITIES</b>			
Due to financial institutions	15,483	-	-
Depositors' accounts	28,011,931	-	-
Shari'a alternative for derivative financial instruments	-	-	198,244
Other liabilities	2,124,200	-	-
<b>TOTAL LIABILITIES</b>	<b>30,151,614</b>	<b>-</b>	<b>198,244</b>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2016

SEGMENT INFORMATION continued

	<i>2016</i> <i>Other Middle East</i> <i>GBP</i>	<i>2016</i> <i>UAE</i> <i>GBP</i>	<i>2016</i> <i>UK</i> <i>GBP</i>	<i>2016</i> <i>US</i> <i>GBP</i>	<i>2016</i> <i>Hong Kong</i> <i>GBP</i>	<i>2016</i> <i>Other</i> <i>GBP</i>
<b>ASSETS</b>						
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	-	-	-
<b>TOTAL ASSETS</b>	<b><u>8,112,485</u></b>	<b><u>30,644,391</u></b>	<b><u>104,840,186</u></b>	<b><u>663,456</u></b>	<b><u>12,624,096</u></b>	<b><u>-</u></b>
<b>LIABILITIES</b>						
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	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>7,780,005</u></b>	<b><u>88,313,525</u></b>	<b><u>9,347,012</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>9,962,150</u></b>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2016

### SEGMENT INFORMATION continued

	<i>2015</i> <i>Other Middle East</i> <i>GBP</i>	<i>2015</i> <i>UAE</i> <i>GBP</i>	<i>2015</i> <i>UK</i> <i>GBP</i>	<i>2015</i> <i>US</i> <i>GBP</i>	<i>2015</i> <i>Hong Kong</i> <i>GBP</i>	<i>2015</i> <i>Other</i> <i>GBP</i>
<b>ASSETS</b>						
Cash	-	-	264,290	-	-	-
Balances with Islamic banks and other financial institutions	-	6,326,047	5,427,646	-	-	-
Murabaha and wakala deposits with financial institutions	3,501,727	-	6,000,790	-	-	-
Ijara and other Islamic financing	-	-	-	-	-	-
Investment securities held to maturity	-	675,802	-	-	-	-
Investments securities available for sale	17,430,810	2,260,640	20,680,000	-	10,433,683	-
Other assets	-	-	797,872	-	-	-
Property and equipment	-	-	1,842,902	-	-	-
<b>TOTAL ASSETS</b>	<b><u>20,932,537</u></b>	<b><u>9,262,489</u></b>	<b><u>35,013,500</u></b>	<b><u>-</u></b>	<b><u>10,433,683</u></b>	<b><u>-</u></b>
<b>LIABILITIES</b>						
Due to financial institutions	15,483	-	-	-	-	-
Depositors' accounts	6,922,196	5,825,217	2,325,614	-	-	12,938,904
Shari'a alternative for derivative financial instruments	-	198,244	-	-	-	-
Other liabilities	-	-	2,124,200	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>6,937,679</u></b>	<b><u>6,023,461</u></b>	<b><u>4,449,814</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>12,938,904</u></b>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2016

SEGMENT INFORMATION continued

	<i>2016</i> <i>Retail</i> <i>GBP</i>	<i>2016</i> <i>Real Estate</i> <i>GBP</i>	<i>2016</i> <i>Treasury</i> <i>GBP</i>
<b>OPERATING INCOME</b>			
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 on forward (wa'ad) foreign exchange undertaking	-	-	(265,840)
	<u>53,256</u>	<u>1,343,123</u>	<u>898,614</u>

	<i>2015</i> <i>Retail</i> <i>GBP</i>	<i>2015</i> <i>Real Estate</i> <i>GBP</i>	<i>2015</i> <i>Treasury</i> <i>GBP</i>
<b>OPERATING INCOME</b>			
Income from murabaha and wakala with financial institutions	-	-	83,421
Investment income on sukuk	-	-	856,708
Income from ijara and other Islamic financing with customers	-	806,891	-
Fees and commission income, net	371,601	-	-
Foreign exchange gain/ (loss)	-	-	37,557
Fair value loss on forward (wa'ad) foreign exchange undertaking	-	-	(40,287)
	<u>371,601</u>	<u>806,891</u>	<u>937,399</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 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. 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.

#### 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 master netting and collateral agreements.

		<i>Gross maximum exposure 2016 GBP</i>	<i>Gross maximum exposure 2015 GBP</i>
	<i>Notes</i>		
Balances with Islamic banks and other financial institutions	14	19,683,030	11,753,693
Murabaha and wakala deposits with financial institutions	15	7,000,425	9,502,517
Ijara and other Islamic financing	16	70,986,116	-
Investments held to maturity	17	811,061	675,802
Investments available for sale	18	56,000,378	50,805,133
Other assets (excluding prepaid expenses)	20	479,503	399,132
<b>Total credit risk exposure</b>		<u>154,960,513</u>	<u>73,136,277</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 December 2016

### 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 GBP	Murabaha and wakala deposits with financial institutions GBP	Ijara and other Islamic financing GBP	Investments held to maturity GBP	Investments available for sale GBP	Other assets (excluding prepaid expenses) GBP	<b>Total credit risk exposure GBP</b>
<b>31-Dec-16</b>							
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
<b>Financial assets subject to credit risk</b>	<b>19,683,030</b>	<b>7,000,425</b>	<b>70,986,116</b>	<b>811,061</b>	<b>56,000,378</b>	<b>479,503</b>	<b>154,960,513</b>

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

30.2 Credit risk concentration continued

	Balances with Islamic banks and other financial institutions GBP	Murabaha and wakala deposits with financial institutions GBP	Ijara and other Islamic financing GBP	Investments held to maturity GBP	Investments available for sale GBP	Other assets (excluding prepaid expenses) GBP	Total credit risk exposure GBP
31-Dec-15							
Other Middle East	-	3,501,727	-	-	17,430,810	-	20,932,537
UAE	6,326,047	-	-	675,802	2,260,640	-	9,262,489
UK	5,427,646	6,000,790	-	-	20,680,000	399,132	32,507,568
Hong Kong	-	-	-	-	10,433,683	-	10,433,683
Financial assets subject to credit risk	11,753,693	9,502,517	-	675,802	50,805,133	399,132	73,136,277

ADIB (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2016

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 GBP	Murabaha and wakala deposits with financial institutions GBP	Ijara and other Islamic financing GBP	Investments held to maturity GBP	Investments available for sale GBP	Other assets (excluding prepaid expenses) GBP	Total credit risk exposure GBP
<b>31-Dec-16</b>							
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	<b>19,683,030</b>	<b>7,000,425</b>	<b>70,986,116</b>	<b>811,061</b>	<b>56,000,378</b>	<b>479,503</b>	<b>154,960,513</b>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 30.2 Credit risk concentration continued

	Balances with Islamic banks and other financial institutions GBP	Murabaha and wakala deposits with financial institutions GBP	Ijara and other Islamic financing GBP	Investments held to maturity GBP	Investments available for sale GBP	Other assets (excluding prepaid expenses) GBP	Total credit risk exposure GBP
31-Dec-15							
Financial Institution	11,753,693	9,502,517	-	-	17,430,810	399,132	39,086,152
Governments	-	-	-	-	31,113,683	-	31,113,683
Corporate	-	-	-	675,802	2,260,640	-	2,936,442
Financial assets subject to credit risk	<u>11,753,693</u>	<u>9,502,517</u>	<u>-</u>	<u>675,802</u>	<u>50,805,133</u>	<u>399,132</u>	<u>73,136,277</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 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.

	<i>Neither past due nor impaired 2016 GBP</i>	<i>Neither past due nor impaired 2015 GBP</i>
Balances with Islamic banks and other financial institutions	19,683,030	11,753,693
Murabaha and wakala deposits with financial institutions	7,000,425	9,502,517
Ijara and other Islamic financing	70,986,116	-
Investments held to maturity	811,061	675,802
Investments available for sale	56,000,378	50,805,133
Other assets (excluding prepaid expenses)	479,503	399,132
<b>Financial assets subject to credit risk</b>	<b><u>154,960,513</u></b>	<b><u>73,136,277</u></b>

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 ratings institutions were converted into their equivalent credit quality step under the standardised approach.

31 December 2016

Credit Quality Step	Exposure Values (GBP thousands)	Exposure Values after mitigation (GBP thousands)
Credit Quality Step 1	66,388	66,388
Credit Quality Step 2	11,643	11,643
Credit Quality Step 3	3,464	3,464
N/A	73,466	7,466
Total per Credit Risk Concentration	154,961	88,961

31 December 2015

Credit Quality Step	Exposure Values (GBP thousands)	Exposure Values after mitigation (GBP thousands)
Credit Quality Step 1	48,544	48,544
Credit Quality Step 2	15,255	15,255
Credit Quality Step 3	2,936	2,936
N/A	6,401	6,401
Total per Credit Risk Concentration	73,136	73,136

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

**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. There were no breaches of regulatory limits during 2016.

**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.

	<i>Less than 3 months</i>	<i>3 months to 1 Year</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>
<b>31-Dec-16</b>	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>
<b>ASSETS</b>				
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	5,283	8,333	66,000,000	4,972,500
Investment securities held to maturity	-	-	811,061	-
Investments securities available for sale	-	-	56,000,378	-
Other assets (excluding prepaid expenses)	479,503	-	-	-
<b>Financial assets</b>	<b>27,312,934</b>	<b>8,333</b>	<b>122,811,439</b>	<b>4,972,500</b>
<b>Non-financial assets</b>				<b>1,779,408</b>
<b>TOTAL ASSETS</b>				<b>156,884,614</b>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 30.4 Analysis of financial assets and financial liabilities by remaining contractual maturities continued

#### LIABILITIES

Due to financial institutions	10,004,331	-	66,325,562	-
Depositors' accounts	37,254,232	-	-	-
Shari'a alternative for derivative financial instruments	117,329	-	-	-
Other liabilities	1,535,144	29,320	129,945	6,829
<b>TOTAL LIABILITIES</b>	<b>48,911,036</b>	<b>29,320</b>	<b>66,455,507</b>	<b>6,829</b>

	<i>Less than 3 months</i>	<i>3 months to 1 Year</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>
31-Dec-15	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>

#### ASSETS

Cash	264,290	-	-	-
Balances with Islamic banks and other financial institutions	11,753,693	-	-	-
Murabaha and wakala deposits with financial institutions	9,502,517	-	-	-
Ijara and other Islamic financing	-	-	-	-
Investment securities held to maturity	-	-	675,802	-
Investments securities available for sale	-	7,222,888	43,582,245	-
Other assets (excluding prepaid expenses)	394,611	4,521	-	-
Financial assets	21,915,111	7,227,409	44,258,047	-

Non-financial assets 2,241,642

**TOTAL ASSETS** 75,642,209

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 30.4 Analysis of financial assets and financial liabilities by remaining contractual maturities continued

#### LIABILITIES

Due to financial institutions	15,483	-	-	-
Depositors' accounts	27,151,931	860,000	-	-
Shari'a alternative for derivative financial instruments	198,244	-	-	-
Other liabilities	2,124,200	-	-	-
<b>TOTAL LIABILITIES</b>	<b>29,489,858</b>	<b>860,000</b>	<b>-</b>	<b>-</b>

The table below summarises the maturity profile of the Bank's financial assets and 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</i>	<i>3 months to 1 Year</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>
<b>31-Dec-16</b>	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
<b>ASSETS</b>				
Cash	144,693	-	-	-
Balances with Islamic banks and other financial institutions	19,683,030	-	-	-
Murabaha and wakala deposits with financial institutions	7,003,119	-	-	-
Ijara and other Islamic financing	729,706	2,157,981	76,799,394	5,309,562
Investment securities held to maturity	-	-	811,061	-
Investments securities available for sale	-	-	56,000,378	-
Other assets (excluding prepaid expenses)	479,503	-	-	-
Property and equipment	-	-	-	-
<b>Financial assets</b>	<b>28,040,051</b>	<b>2,157,981</b>	<b>133,610,833</b>	<b>5,309,562</b>
<b>Non-financial assets</b>				<b>1,779,408</b>
<b>TOTAL ASSETS</b>				<b>170,897,835</b>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 30.4 Analysis of financial assets and financial liabilities by remaining contractual maturities continued

#### LIABILITIES

Due to financial institutions	10,006,386	-	69,128,219	-
Depositors' accounts	37,257,369	-	-	-
Shari'a alternative for derivative financial instruments	117,329	-	-	-
Other liabilities	1,535,144	29,320	129,945	6,829
<b>TOTAL LIABILITIES</b>	<b>48,916,228</b>	<b>29,320</b>	<b>69,258,164</b>	<b>6,829</b>

	<i>Less than 3 months</i>	<i>3 months to 1 Year</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>
31-Dec-15	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>

#### ASSETS

Cash	264,290	-	-	-
Balances with Islamic banks and other financial institutions	11,753,693	-	-	-
Murabaha and wakala deposits with financial institutions	9,502,517	-	-	-
Ijara and other Islamic financing	-	-	-	-
Investment securities held to maturity	-	-	675,802	-
Investments securities available for sale	-	7,222,888	43,582,245	-
Other assets (excluding prepaid expenses)	394,611	4,521	-	-
Financial assets	21,915,111	7,227,409	44,258,047	-
Non-financial assets				2,241,642
<b>TOTAL ASSETS</b>				<b>75,642,209</b>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 30.4 Analysis of financial assets and financial liabilities by remaining contractual maturities continued

#### LIABILITIES

Due to financial institutions	15,483	-	-	-
Depositors' accounts	27,151,931	860,000	-	-
Shari'a alternative for derivative financial instruments	198,244	-	-	-
Other liabilities	2,124,200	-	-	-
<b>TOTAL LIABILITIES</b>	<b>29,489,858</b>	<b>860,000</b>	<b>-</b>	<b>-</b>

#### 30.4.2 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>Increase in basis points</i>	<i>Sensitivity of profit on financial assets and liabilities 2016 GBP</i>	<i>Sensitivity of profit on financial assets and liabilities 2015 GBP</i>
<b>Currency</b>			
GBP	50	156,000	41,000
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).

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 30.5 Currency risk continued

	<i>% Increase currency rates</i>	<i>Effect on net profit GBP</i>	<i>Effect on equity GBP</i>
<b>31 December 2016</b>			
<i>Currency</i>			
USD	<u>5</u>	<u>900</u>	<u>900</u>
<b>31 December 2015</b>			
<i>Currency</i>			
USD	<u>5</u>	<u>(2,998)</u>	<u>(2,998)</u>

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

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

	<i>GBP</i>	<i>USD</i>	<i>AED</i>	<i>Total</i>
<b>31-Dec-16</b>				
<b>ASSETS</b>				
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	<u>1,240,177</u>	<u>5,192</u>	<u>115,428</u>	<u>1,360,797</u>
<b>TOTAL ASSETS</b>	<b><u>116,616,808</u></b>	<b><u>40,128,869</u></b>	<b><u>138,937</u></b>	<b><u>156,884,614</u></b>
<b>LIABILITIES</b>				
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	<u>1,454,541</u>	<u>107,227</u>	<u>139,470</u>	<u>1,701,238</u>
<b>TOTAL LIABILITIES</b>	<b><u>112,565,194</u></b>	<b><u>2,698,028</u></b>	<b><u>139,470</u></b>	<b><u>115,402,692</u></b>
<b>OFF BALANCE SHEET</b>				
FX forward undertakings	<u>37,755,316</u>	<u>(37,872,645)</u>	<u>-</u>	<u>(117,329)</u>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 30.5 Currency risk continued

	<i>GBP</i>	<i>USD</i>	<i>AED</i>	<i>Total</i>
31-Dec-15				
ASSETS				
Cash	264,290	-	-	264,290
Balances with Islamic banks and other financial institutions	9,979,013	532,650	1,242,030	11,753,693
Murabaha and wakala deposits with financial institutions	9,502,517	-	-	9,502,517
Ijara and other Islamic financing	-	-	-	-
Investment securities held to maturity	-	675,802	-	675,802
Investments securities available for sale	20,680,000	30,125,133	-	50,805,133
Other assets	598,018	150,701	49,153	797,872
Property and equipment	<u>1,842,902</u>	<u>-</u>	<u>-</u>	<u>1,842,902</u>
<b>TOTAL ASSETS</b>	<b><u>42,866,740</u></b>	<b><u>31,484,286</u></b>	<b><u>1,291,183</u></b>	<b><u>75,642,209</u></b>
LIABILITIES				
Due to financial institutions	15,483	-	-	15,483
Depositors' accounts	28,011,931	-	-	28,011,931
Shari'a alternative for derivative financial instruments	198,244	-	-	198,244
Other liabilities	<u>1,952,699</u>	<u>31,729</u>	<u>139,772</u>	<u>2,124,200</u>
<b>TOTAL LIABILITIES</b>	<b><u>30,178,357</u></b>	<b><u>31,729</u></b>	<b><u>139,772</u></b>	<b><u>30,349,858</u></b>
OFF BALANCE SHEET				
FX forward undertakings	<u>31,351,353</u>	<u>(31,549,597)</u>	<u>-</u>	<u>(198,244)</u>

### 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.

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 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

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 2016.

	<i>31-Dec</i> <i>2016</i> <i>GBP</i>	<i>31-Dec</i> <i>2015</i> <i>GBP</i>
Ordinary share capital	58,041,000	58,041,000
Accumulated loss	<u>(16,559,078)</u>	<u>(12,748,649)</u>
Total Tier 1 capital	<u>41,481,922</u>	<u>45,292,351</u>
Total regulatory capital	<u><b>41,481,922</b></u>	<u>45,292,351</u>

At 31 December 2016 and throughout the year, the Bank complied with the capital requirements that were in force as set out by the PRA.

The PRA has 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.

### 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 investments held to maturity*

	<i>Carrying</i> <i>amount</i> <i>GBP</i>	<i>Fair</i> <i>value</i> <i>GBP</i>
<b>31 December 2016</b>		
Sukuk held to maturity (note 17)	<u>811,061</u>	<u>814,248</u>
<b>31 December 2015</b>		
Sukuk held to maturity (note 17)	<u>675,802</u>	<u>686,104</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

**FAIR VALUE OF FINANCIAL INSTRUMENTS** continued**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.

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>31-Dec-16</b>	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
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	-	-	-	-
<b>Total Assets</b>	<b>56,000,378</b>	<b>(117,329)</b>	<b>-</b>	<b>55,883,049</b>

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### FAIR VALUE OF FINANCIAL INSTRUMENTS continued

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31-Dec-15	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>
Financial assets at fair value through profit and loss				
- Sukuk instruments	-	-	-	-
- Equity instruments	-	-	-	-
Shari'a alternative for derivative financial instruments		(198,244)		(198,244)
Investments securities available for sale				
- Sukuk instruments	50,805,133	-	-	50,805,133
- Equity instruments	-	-	-	-
<b>Total Assets</b>	<b>50,805,133</b>	<b>(198,244)</b>	<b>-</b>	<b>50,606,889</b>

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.

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

	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31-Dec-15	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>	<i>GBP</i>
Investments securities held to maturity	675,802	686,104	686,104	-	-	686,104
<b>Total Assets</b>	<b>675,802</b>	<b>686,104</b>	<b>686,104</b>	<b>-</b>	<b>-</b>	<b>686,104</b>

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.

# ADIB (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

### 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](http://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](http://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:

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

The Bank falls within the scope of these regulations and accordingly the disclosures for the Year ended 31 December 2016 are set out below.

	UK	Total
a) Entity name:	ADIB (UK) Limited	
b) Nature of activities	Shari’a compliant bank	
c) Operating income (£)	2,294,993	2,294,993
d) Average number of employees	23	23
e) Loss before tax (£)	(4,041,486)	(4,041,486)
f) Corporation tax paid (£)	-	-
g) Public subsidies received (£)	-	-