IMPORTANT NOTICE

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

IMPORTANT: **You must read the following notice before continuing**. The following notice applies to the attached base prospectus following this page (the "**Base Prospectus**"), whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Base Prospectus. In reading, accessing or making any other use of the Base Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Base Prospectus, including any modifications made to them from time to time, each time you receive any information from ICD Funding Limited (the "**Issuer**") and Investment Corporation of Dubai ("**ICD**") as a result of such access or use. You acknowledge that this electronic transmission and the delivery of the Base Prospectus is confidential and intended only for you and you agree you will not reproduce or publish this electronic transmission or forward the Base Prospectus to any other person.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER ANY NOTE TO BE ISSUED NOR THE GUARANTEE (AS DEFINED IN THE BASE PROSPECTUS) HAS BEEN OR WILL BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

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

FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE "*SUBSCRIPTION AND SALE*".

The Base Prospectus must not be acted on or relied on in the United Kingdom ("**UK**"), by persons who are not Relevant Persons. Any investment or investment activity to which the Base Prospectus relates is available only to in the UK, Relevant Persons and will be engaged in only with such persons.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the Notes described therein: (1) each prospective investor in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S must be outside of the United States; and (2) each prospective investor in respect of the securities being offered in the UK must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the Base Prospectus, you shall be deemed to have represented to the Issuer, ICD and each of Citigroup Global Markets Limited, Emirates NBD PJSC, HSBC Bank plc and Standard Chartered Bank (the "**Dealers**") that: (1) you have understood and agree to the terms set out herein; (2) the electronic mail (or e-mail) address to which, pursuant to your request, the attached Base Prospectus has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands (together, the "**United States**"); (3) in respect of the Notes being offered in the UK, you are (and, if applicable, the person you represent is) a Relevant Person; (4) you are not a U.S. person (as defined in Regulation S) or acting for the account or benefit of any U.S. person and that you are located outside the United States; (5) you consent to delivery by electronic transmission; (6) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (7) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Notes.

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

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

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

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

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

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

Base Prospectus dated 23 September 2020

ICD FUNDING LIMITED

(incorporated with limited liability in the Cayman Islands)

U.S.$2,500,000,000
Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by

INVESTMENT CORPORATION OF DUBAI

(a decree company established by the Government of Dubai)

Under this U.S.$2,500,000,000 Euro Medium Term Note Programme (the "**Programme**"), ICD Funding Limited (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Investment Corporation of Dubai ("**ICD**" or the "**Guarantor**").

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described in the Programme Agreement.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

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

This Base Prospectus has been approved as a base prospectus by the Central Bank of Ireland (the "**CBI**") as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The CBI only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, the Guarantor or the quality of the Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of Euronext Dublin (the "**Official List**") and to trading on its regulated market (the "**Regulated Market**"). The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any member state of the European Economic Area (the "**EEA**") or in the UK.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the EEA or the UK. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

This Base Prospectus has been approved by the Dubai Financial Services Authority (the "**DFSA**") under Rule 2.6 of the DFSA's Markets Rules (the "**Markets Rules**") and is therefore an Approved Prospectus for the purposes of Article 14 of the Markets Law 2012 (DIFC Law No. 1 of 2012) (the "**Markets Law**"). Application has also been made to the DFSA for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of securities (the "**DFSA Official List**") maintained by the DFSA and to Nasdaq Dubai Ltd. ("**Nasdaq Dubai**") for such Notes to be admitted to trading on Nasdaq Dubai.

References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that (a) such Notes have been admitted to trading on the Regulated Market and have been admitted to the Official List and/or (b) such Notes have been admitted to trading on Nasdaq Dubai and have been admitted to the DFSA Official List. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on Euronext Dublin, will be filed with the CBI and Euronext Dublin and, with respect to Notes to be listed on Nasdaq Dubai, will be filed with the DFSA and Nasdaq Dubai.

The DFSA does not accept any responsibility for the content of the information included in this Base Prospectus, including the accuracy or completeness of such information. The liability for the content of this Base Prospectus lies with the Issuer and the Guarantor. The DFSA has also not assessed the suitability of any Notes issued under this Programme to any particular investor or type of investor. If you do not understand the contents of this Base Prospectus or are unsure whether any Notes issued under this Base Prospectus are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

Neither the Notes nor the Guarantee (as defined herein) have been or will be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable security laws of any state of the United States. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. For a description of certain restrictions on offers and sales of Notes and on the distribution of this Base Prospectus, see "*Subscription and Sale*".

The Issuer and the Guarantor may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes (the "**Conditions**") herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arrangers and Dealers

Citigroup | **Emirates NBD Capital**

HSBC | **Standard Chartered Bank**

IMPORTANT NOTICES

This Base Prospectus complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Markets Rules and comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor, the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as completed by the applicable Final Terms. This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein (see "*Documents Incorporated by Reference*"), and, in relation to any Tranche of Notes, the applicable Final Terms.

Copies of Final Terms will be available from the registered office of each of the Issuer and ICD and the specified office set out below of each of the Paying Agents (as defined below) save that, if the relevant Notes are neither: (a) admitted to trading on a regulated market for the purposes of MiFID II or offered in the EEA or in the UK in circumstances where a prospectus is required to be published under the Prospectus Regulation; nor (b) listed on the DFSA Official List or admitted to trading on Nasdaq Dubai, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer or, as the case may be, the Principal Paying Agent as to its holding of such Notes and identity.

Certain information contained in "*Risk Factors – Risks relating to ICD*", "*Relationship with the Government*", "*Description of ICD and the Group*" and "*Overview of the United Arab Emirates and the Emirate of Dubai*" (as indicated therein) has been extracted from independent, third party sources. Each of the Issuer and the Guarantor confirms that all third party information contained in this Base Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

The statistical information in this Base Prospectus has been derived from a number of different identified sources. Certain information is only available on a federal basis relating to the entire UAE and potential investors should note Dubai's own position may differ in material respects from the position at an overall federal level. All statistical information provided in this Base Prospectus may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times and differing underlying assumptions and methodologies. In addition, standards of accuracy of statistical data may vary from authority to authority or from period to period due to the application of these different methodologies.

Save for the Issuer or the Guarantor, no other party (including the Dealers (as defined under "*Subscription and Sale*"), the Agents or the Trustee) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers, the Agents or the Trustee as to (i) the accuracy, adequacy, reasonableness or completeness of the information contained in this Base Prospectus, (ii) any acts or omissions of the Issuer, Guarantor or any other person in connection with this Base Prospectus or the issue and offering of the Notes, or (iii) any other information provided by the Issuer or the Guarantor in connection with the Programme. To the fullest extent permitted by law, no Dealer, Agent or the Trustee accepts any responsibility for the contents of this Base Prospectus or for any other statement made, or purported to be made, by any Dealer, Agent or the Trustee or on its behalf in connection with the Issuer, the Guarantor, the Programme or the Notes. Each Dealer, Agent and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

No person is or has been authorised by the Issuer, the Guarantor, the Dealers, the Agents or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Dealers, the Agents or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes: (a) is intended to provide the basis of any credit or other evaluation save for making an investment decision on the Notes; or (b) should be considered as a recommendation by the Issuer, the Guarantor, any of the Dealers, the Agents or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Dealers, the Agents or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances constitute a representation or create any implication that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers, the Agents and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the Securities Act and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Dealers, the Agents and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Dealers, the Agents or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA, the UK, the Cayman Islands, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong, Taiwan and Malaysia, see "*Subscription and Sale*".

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

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

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential Investor's Currency (as defined herein);

(d) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and

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

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

In making an investment decision, investors must rely on their own independent examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

None of the Dealers, the Issuer, the Guarantor, the Agents or the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

No comment is made or advice given by the Issuer, the Guarantor, the Dealers, the Trustee or the Agents in respect of taxation matters relating to any Notes or the legality of the purchase of the Notes by an investor under any applicable law.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the issuing entity in such jurisdiction.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY NOTES.

USE OF BENCHMARKS

Amounts payable on Floating Rate Notes issued under the Programme may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011, as amended (the "**Benchmarks Regulation**"). Details of the administrators of such benchmarks, including details of whether or not, as at the date of this Base Prospectus, each such administrator's name appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") (the "**ESMA Benchmarks Register**") pursuant to article 36 of the Benchmarks Regulation, are set out below (for definitions of the benchmarks set out below, see Condition 5.2).

Benchmark	Administrator	Administrator appears on ESMA Benchmarks Register
AUD LIBOR	As far as the Issuer and the Guarantor are aware, the administrator has not yet been appointed	No
BBSW	ASX Limited	Yes, ASX Limited is authorised under Article 36 of the Benchmarks Regulation
EIBOR	UAE Central Bank	No
€STR	European Central Bank	No
EURIBOR	European Money Markets Institute	Yes, European Money Markets Institute is authorised under Article 36 of the Benchmarks Regulation
HIBOR	Hong Kong Treasury Markets Association	No
LIBOR (including JPY LIBOR)	ICE Benchmark Administration Limited	Yes, ICE Benchmark Administration Limited is authorised under Article 36 of the Benchmarks Regulation
PRIBOR	Czech Financial Benchmark Facility s.r.o.	Yes, Czech Financial Benchmark Facility s.r.o is authorised under Article 36 of the Benchmarks Regulation
SAIBOR	Refinitiv	Yes, Refinitiv is authorised under Article 36 of the Benchmarks Regulation
SHIBOR	National Interbank Funding Centre	No
SONIA	Bank of England	No
SOFR	Federal Reserve Bank of New York	No
TRLIBOR	Banks Association of Turkey	No

As at the date of this Base Prospectus, the administrators of AUD LIBOR, EIBOR, HIBOR, SHIBOR and TRLIBOR are not included in the ESMA Benchmarks Register. As far as each of the Issuer and the Guarantor is aware, EIBOR does not fall within the scope of the Benchmarks Regulation by virtue of Article 2 thereof. As far as each of the Issuer and the Guarantor is aware, €STR, SONIA and SOFR do not fall within the scope of the Benchmarks Regulation. As far as each of the Issuer and the Guarantor is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the Hong Kong Treasury Markets Association, National Interbank Funding Centre, the Bank of England, the Federal Reserve Bank of New

York and Banks Association of Turkey are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Subscription Agreement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF GROUP FINANCIAL INFORMATION

The financial statements relating to the Group (as defined below) referred to in this Base Prospectus are as follows:

(a) the audited consolidated financial statements of the Group as at 31 December 2019 and for the year then ended which include unaudited comparative financial information as at and for the year ended 31 December 2018, together with the notes thereto (the "**2019 Financial Statements**"); and

(b) the audited consolidated financial statements of the Group as at 31 December 2018 and for the year then ended which include comparative financial information as at and for the year ended 31 December 2017, together with the notes thereto (the "**2018 Financial Statements**" and, together with the 2019 Financial Statements, the "**Financial Statements**").

The 2019 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**") and have been audited by PricewaterhouseCoopers (Dubai Branch) (who have conducted their audit in accordance with the International Standards on Auditing), as stated in their unqualified auditor's report appearing in this Base Prospectus.

The 2018 Financial Statements have been prepared in accordance with IFRS issued by the IASB and have been audited by Ernst & Young Middle East (Dubai Branch) (who have conducted their audit in accordance with the International Standards on Auditing), as stated in their unqualified auditor's report appearing in this Base Prospectus.

The Group publishes its financial statements in dirham.

The Group's financial year ends on 31 December, and references in this Base Prospectus to any specific year are, unless otherwise indicated, to the 12 month period ended on 31 December of such year.

RECLASSIFICATION OF CERTAIN 2018 FINANCIAL INFORMATION

Certain comparative figures for the year ended 31 December 2018 have been reclassified to conform to the 31 December 2019 classification or in accordance with the relevant requirement of IFRS. There was no impact on profit for the year ended 31 December 2018 or total equity as at that date and such reclassifications were made to achieve a clearer presentation of the consolidated financial statements as set out in note 2.1(d) of the 2019 Financial Statements.

The table below sets out the material reclassifications made in 2019 Financial Statements:

	2019	**2018**	**2018**
		Reclassified(1)	
Consolidated Statement of Financial Position	*AED 000*	*AED 000*	*AED 000*
Islamic financing and investment products	42,876,527	47,009,226	44,017,938
Cash and deposits with banks	170,346,193	144,301,634	147,292,922
Other non-current payables	12,611,541	11,481,644	12,383,581
Non-current liabilities	264,338,911	191,347,211	192,249,148
Trade and other payables	73,535,436	63,895,713	62,993,776
Current liabilities	605,404,936	450,112,589	449,210,652

Note:

(1) Extracted from the unaudited comparative column of the 2019 Financial Statements.

	2019	**2018**	**2018**
		Reclassified(1)	
Consolidated Income Statement	*AED 000*	*AED 000*	*AED 000*
Other operating income	5,901,828	4,564,736	-
Other income	4,797,573	771,427	5,336,163

Note:

(1) Extracted from the unaudited comparative column of the 2019 Financial Statements.

	2019	2018 *Reclassified*(1)	2018
Consolidated Cash Flow Statement............................	*AED 000*	*AED 000*	*AED 000*
Net cash generated from/(used in) investing activities	(48,023,253)	(13,483,467)	(14,083,227)
Net cash (used in)/generated from financing activities....	(20,340,095)	(26,536,287)	(25,936,527)

Note:

(1) Extracted from the unaudited comparative column of the 2019 Financial Statements.

In addition to the above reclassified line items, the total revenue from external customers for transportation and related services and others operating segment (note 38 of the 2019 Financial Statements) and the related party transaction of sale of goods and service (including revenue) to government, MOF and other related parties and receivables from associates and joint ventures and government, MOF and other related parties (note 36 of the 2019 Financial Statements) as at 31 December 2018, are also extracted or derived from the unaudited comparative column of the 2019 Financial Statements to conform to the presentation used in the 2019 Financial Statements. There was no impact on total revenue and profit for the year ended 31 December 2018 or total equity as at that date pursuant to such reclassifications. All other financial information as at and for the year ended 31 December 2018 relating to the Group and included in this Base Prospectus has been extracted from the 2018 Financial Statements, and (ii) all financial information as at and for the year ended 31 December 2017 relating to the Group and included in this Base Prospectus has been extracted from the 2018 Financial Statements (where such information is presented for comparative purposes).

PRESENTATION OF OTHER INFORMATION

In this Base Prospectus, references to:

- "**Abu Dhabi**" are to the Emirate of Abu Dhabi;
- "**AED**", "**dirham**" or "**fils**" are to the lawful currency of the UAE. One dirham equals 100 fils;
- "**CBI**" are to the Central Bank of Ireland;
- "**Dubai**" are to the Emirate of Dubai;
- "**EEA**" are to the European Economic Area;
- "**EU**" are to the European Union;
- "**EUR**", "**euro**" or "**€**" or are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended from time to time;
- "**Government**" are to the Government of Dubai;
- "**Group**" are to the Guarantor and its consolidated subsidiaries;
- a "**Member State**" are, unless the context does not permit, references to a Member State of the EEA;
- "**OPEC**" are to the Organisation of the Petroleum Exporting Countries;
- "**U.S.**" or "**United States**" are to the United States of America;
- "**U.S.$**" or "**U.S. dollars**" are to the lawful currency of the United States;
- "**UK**" are to the United Kingdom; and
- "**£**" or "**sterling**" are to the lawful currency of the UK.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00. However, the Group translates dirham amounts into U.S. dollars at the rate of AED 3.675 = U.S.$1.00 in its financial statements and accordingly all U.S. dollar translations of dirham amounts appearing in this document have been translated at this fixed exchange rate, unless stated otherwise. Such translations should not be construed as representations that dirham amounts have been or could be converted into U.S. dollars at this or any other rate of exchange.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments. Accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Guarantor's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors – Risks relating to ICD*", "*Operating and Financial Review*", "*Relationship with the Government*" and "*Description of ICD and the Group*" and other sections of this Base Prospectus. The Guarantor has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Guarantor believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Guarantor has otherwise identified in this Base Prospectus, or if the Guarantor's underlying assumptions prove to be incomplete or inaccurate, the Guarantor's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors – Risks relating to ICD*", "*Operating and Financial Review*", "*Relationship with the Government*" and "*Description of ICD and the Group*", which include a more detailed description of the factors that might have an impact on the Group's business development and on the industry sectors in which the Group operates.

The risks and uncertainties referred to above include:

- the Guarantor's ability to realise the benefits it expects from existing and future investments it is undertaking or plans to or may undertake;
- the Guarantor's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and capital expenditures;
- actions taken by the Guarantor's joint venture partners or associates that may not be in accordance with its policies and objectives;
- the economic and political conditions in the markets in the UAE and the wider region in which the Guarantor operates; and
- changes in political, social, legal or economic conditions in the markets in which the Guarantor and its customers operate.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Guarantor expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for any Notes and this Base Prospectus shall not be construed as an invitation to the public of the Cayman Islands to subscribe for any Notes.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Notes, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of Notes will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

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

NOTICE TO RESIDENTS OF THE STATE OF QATAR

Any Notes to be issued under the Programme will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority, the Qatar Financial Markets Authority or the Qatar Stock Exchange in accordance with their regulations or any other regulations in the State of Qatar (including Qatar Financial Centre). The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes and interests therein will not be offered to investors domiciled or resident in the State of Qatar (including Qatar Financial Centre) and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

NOTICE TO RESIDENTS OF MALAYSIA

Any Notes to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Notes in Malaysia may be made, directly or indirectly, and this

Base Prospectus and any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories of persons set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) read together with Schedule 9 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer or the Guarantor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

The applicable Final Terms in respect of any Notes may include a legend entitled "Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the applicable Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

Unless otherwise stated in the applicable Final Terms, all Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

MiFID II PRODUCT GOVERNANCE / TARGET MARKET

The applicable Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of any Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

IMPORTANT – EEA AND UK RETAIL INVESTORS

If the applicable Final Terms in respect of any Notes include a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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OVERVIEW OF THE PROGRAMME

This overview must be read as an introduction to this Base Prospectus. Any decision by any investor to invest in any Notes should be based on a consideration of this Base Prospectus as a whole. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, is completed by the applicable Final Terms.

The Issuer and the Guarantor may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes (the "**Conditions**") herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No. 2019/980.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

Issuer..................................	ICD Funding Limited (Legal Entity Identifier (LEI): 635400ND71SBRGJJVF09)
Guarantor............................	Investment Corporation of Dubai (Legal Entity Identifier (LEI): 6354001CBBZXJHDGZY76)
Risk Factors.........................	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and the Guarantor's ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*".
Description...........................	Euro Medium Term Note Programme
Arrangers and Dealers..........	Citigroup Global Markets Limited Emirates NBD Bank PJSC HSBC Bank plc Standard Chartered Bank and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions.............	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the UK, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 (or if the Notes are denominated in a currency other than sterling, the equivalent amount in such currency), see "*Subscription and Sale*".

Principal Paying Agent and Transfer Agent....................	Citibank N.A., London Branch
Registrar..............................	Citigroup Global Markets Europe AG
Trustee	Citicorp Trustee Company Limited
Programme Size	Up to U.S.$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Issuance in Series.................	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Notes of each Series will have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.
Distribution..........................	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer, the Guarantor and the relevant Dealer.
Maturities	The Notes will have such maturities as may be agreed between the Issuer, the Guarantor and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer, the Guarantor or the relevant Specified Currency.
Issue Price...........................	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par. The price and amount of Notes to be issued will be determined by the Issuer, the Guarantor and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
Form of Notes......................	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
Fixed Rate Notes..................	Fixed interest will be payable on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer.
Floating Rate Notes..............	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service. The margin (if any) relating to such floating rate will be agreed between the Issuer, the Guarantor and the relevant Dealer for each Series of Floating

Rate Notes.

Other provisions in relation to Floating Rate Notes.......... Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, the Guarantor and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

Zero Coupon Notes.............. Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption......................... The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following the occurrence of an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (including at the option of the Noteholders following the occurrence of a Change of Control Event as described below) upon giving notice to the Noteholders or the Issuer and the Guarantor, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*—Certain Restrictions—Notes having a maturity of less than one year*" above.

Change of Control............... If so specified in the applicable Final Terms, each Noteholder will have the right to require the redemption of its Notes each time the government of the Emirate of Dubai (the "**Government**") or any other department, agency, authority or entity wholly-owned by the Government:

(a) sells, transfers or otherwise disposes of any of its ownership interest in the Guarantor, other than to an entity directly or indirectly wholly-owned by the Government; or

(b) otherwise ceases to own (directly or indirectly) the entire ownership interest in the Guarantor.

Denomination of Notes......... The Notes will be issued in such denominations as may be agreed between the Issuer, the Guarantor and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*—Certain Restrictions—Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or in the UK or offered to the public in a Member State of the EEA or in the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation .... All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

See "*Taxation*" for a description of certain tax considerations applicable to the Notes.

Negative Pledge.................... The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Cross Default....................... The terms of the Notes will contain a cross default provision as further described in Condition 10.

Status of the Notes................ The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured monetary obligations of the Issuer and will rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured, unsubordinated monetary obligations of the Issuer, present and future.

Guarantee............................ The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured monetary obligations of the Guarantor and rank and will rank *pari passu* and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured, unsubordinated monetary obligations of the Guarantor, present and future.

Listing and admission to trading................................ Each Series of Notes may be listed on the Official List of Euronext Dublin and DFSA Official List and admitted to trading on the Regulated Market and Nasdaq Dubai and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and specified in the applicable Final Terms or may be issued on the basis that a Series of Notes will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law..................... The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

Waiver of Immunity............. Each of the Issuer and the Guarantor has in the Notes, Trust Deed and the Agency Agreement (as applicable) irrevocably and unconditionally with respect to any Dispute or Proceedings (each as defined therein): (i) waived any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction; (ii) submitted to the jurisdiction of the English courts, the courts of the DIFC and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts, the courts of the DIFC or the courts of any competent jurisdiction (as applicable) in relation to any Dispute or Proceedings; and (iii) consented to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after judgment, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of

	its use or intended use) of any order or judgment in connection with any Proceedings or Disputes.
Clearing Systems..................	Euroclear and/or Clearstream, Luxembourg or, in relation to any Tranche of Notes, any other clearing system.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the UK, the Cayman Islands, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong, Taiwan and Malaysia and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions..........................	Regulation S, Category 2.

RISK FACTORS

Each of the Issuer and ICD believes that the following factors may affect its ability to fulfil its obligations in respect of the Notes issued under the Programme. All of these factors are contingencies which may or may not occur.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.

If any of the risks described below actually materialise, the Issuer, ICD and/or the Group's business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to occur, the trading price of the Notes could decline and investors could lose all or part of their investment.

Each of the Issuer and ICD believes that the factors described below represent all the material risks inherent in investing in the Notes issued under the Programme, but the inability of the Issuer or ICD to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and ICD based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

The Issuer has a limited operating history

The Issuer is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 6 February 2014 and only has a limited operating history. The Issuer will not engage in (and has not to date engaged in) any business activity other than the issuance of Notes under this Programme, the making of loans to the Guarantor or other companies controlled by the Guarantor and other activities incidental or related to the foregoing. The Issuer is not expected to have any income but will receive payments from the Guarantor and/or from other companies controlled by the Guarantor in respect of loans made by the Issuer to those companies, which will be the only material sources of funds available to meet the claims of the Noteholders. As a result, the Issuer is subject to all the risks to which the Guarantor is subject, to the extent that such risks could limit the Guarantor's ability to satisfy in full and on a timely basis its obligations to the Issuer under any such loans or its obligations under the Guarantee. See "*—Risks relating to ICD*" for a further description of certain of these risks.

The Issuer is not an operating company. The Issuer is a special purpose vehicle with no other business other than issuing Notes. All funds raised by the Issuer are on-lent to the Guarantor and the Issuer is therefore dependent on repayment of principal, interest and/or additional amounts (if any) from the Guarantor for the purposes of meeting its obligations under the Notes. The Issuer will only be able to make payments under the Notes to the Noteholders in an amount equivalent to sums of principal, interest, and/or additional amounts (if any) it actually receives from the Guarantor. Consequently, if the Guarantor fails to meet its obligations to the Issuer in respect of the funds on-lent, the Noteholders could receive less than the full amount of principal, interest and/or additional amounts (if any) on the relevant due date from the Issuer and would have recourse under the Guarantee for the balance.

Factors that may affect the Guarantor's ability to fulfil its obligations under Notes issued under the Programme

Risks relating to ICD

Risks relating to ICD as an investment company

ICD relies on distributions and other revenue flows from its portfolio companies to meet its financial obligations

ICD conducts its operations principally through, and derives most of its revenues from, its portfolio companies (*i.e.* its subsidiaries, associates and joint ventures) and does not have revenue-generating operations of its own (see further "*Description of ICD and the Group – Operating Model*"). Consequently, ICD's cash flows and ability to meet its cash requirements, including its obligations in respect of the Notes, depend upon the profitability of, and cash flows from, its portfolio companies.

ICD's portfolio companies are not providing guarantees or any other form of security with respect to the Notes, therefore investors in the Notes will not have any direct claim on the cash flows or assets of ICD's portfolio companies in the event of an insolvency of ICD and ICD's portfolio companies will have no obligation, contingent or otherwise, to pay amounts due in respect of the Notes, or to make funds available to ICD to make those payments.

ICD's portfolio companies have incurred debt financing in order to finance their operations and will continue to do so in the future; some of such debt financing could be substantial. In the event of the insolvency of any of ICD's portfolio companies, claims of secured and unsecured creditors of such entity, including trade creditors, banks and other lenders, will have priority with respect to the assets of such entity over any claims that ICD or the creditors of ICD (such as the Noteholders), as applicable, may have with respect to such assets. Accordingly, if ICD became insolvent at the same time, claims of the Noteholders against ICD in respect of any Notes would be structurally subordinated to the claims of all such creditors of ICD's portfolio companies.

The Conditions do not restrict the amount of indebtedness which ICD or its portfolio companies may incur. The terms of the indebtedness of ICD's portfolio companies may contain covenants which prevent or restrict distributions to ICD until such time as the relevant indebtedness has been repaid. The ability of ICD's portfolio companies to pay dividends or make other distributions or payments to ICD will also be subject to the availability of profits or funds for such purpose which, in turn, will depend on the future performance of the portfolio company concerned which is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond their control. In addition, any such portfolio company may be subject to restrictions on the making of such distributions contained in applicable laws and regulations. There can be no assurance that the individual businesses of ICD's portfolio companies will generate sufficient cash flow from operations or that alternative sources of financing will be available at any time in an amount sufficient to enable ICD's portfolio companies to service their indebtedness, to fund their other liquidity needs and to make payments to ICD to enable it to meet its payment obligations in respect of the Notes.

Majority of ICD's portfolio companies and other assets are based in the UAE

Majority of ICD's current investments and assets are based in the UAE. As at 30 June 2020, the majority of ICD's aggregated assets were represented by portfolio companies domiciled in the UAE. The concentration of ICD's assets in the UAE exposes ICD to the prevailing economic and political conditions in the UAE and the Middle East and North Africa ("**MENA**") region (see further "*—Risks relating to Dubai, the UAE and the Middle East*").

Should economic growth or performance in the UAE decline as a result of the new strain of coronavirus ("**COVID-19**") and its ongoing outbreak or otherwise, or should the UAE be affected by political instability in the future, this could have a material adverse effect on ICD's and its portfolio companies business, results of operations, financial condition and prospects and, in turn, on the ability of ICD to perform its obligations in respect of any Notes.

ICD may have significant financing or refinancing requirements, the Government is not committed to provide financial or other support to ICD and the Government is not guaranteeing any of ICD's obligations in respect of the Notes

ICD has in the past made, and anticipates that it may continue to make, significant capital and investment expenditures. ICD intends to finance its future expenditures and financial obligations through borrowings from third parties (including by way of the issue of Notes under the Programme), cash flow from ICD's portfolio companies and, in certain circumstances, in-kind capital contributions from the Government.

ICD's ability to obtain external financing and the cost of such financing depend on numerous factors, including general economic and market conditions, international interest rates, the availability of credit from banks or other financiers, investor confidence in ICD and the Government, the financial condition of ICD and the performance of the individual businesses of ICD's portfolio companies. There can be no assurance that external financing will be available when required or, if available, that such financing will be obtainable on terms that are commercially acceptable to ICD. Although the Government has, in the past, provided monetary and non-monetary contributions to ICD from time to time (primarily in the form of capital expenditure, strategic growth and acquisition related contributions, company ownership interests or land grants) to support ICD's investment objectives (see "*Operating and Financial Review – Factors Affecting Results of Continuing Operations – Capital*" and "*Relationship with the Government – Funding, Support and Oversight from the Government*"), the Government is not legally obliged to fund any of ICD's investments and accordingly may decide not to do so in the future, even if the Government has previously approved the funding of the investment concerned. Furthermore, the Government is not guaranteeing any of ICD's obligations in respect of the Notes and the Noteholders therefore do not benefit from any legally enforceable claim against the Government (see further "*– ICD's financial obligations, including its obligations in respect of the Notes, are not guaranteed by the Government absent an explicit guarantee*").

If ICD is not able to obtain adequate financing to make capital and investment expenditures in the future, this could have a material adverse effect on ICD's business, results of operations, financial condition and prospects and therefore on the ability of ICD to perform its obligations in respect of any Notes.

ICD's past performance is not necessarily indicative of its future results and its historical consolidated financial statements may be difficult to compare from one financial period to another due to its on-going investment activity

Part of ICD's investment strategy is to ensure the long term prosperity of the Dubai economy by efficiently deploying and recycling capital for new investments and acquisitions both locally and internationally (see further "*Description of ICD and the Group- Investment Strategy*"). To this end, ICD has engaged in sizeable investment and divestment activities in the periods under review (see further "*Operating and Financial Review – Factors Affecting Results of Continuing Operations – Acquisitions*"). Primarily as a result of such investment activities (see also "*Relationship with the Government – Funding, Support and Oversight from the Government – Management Autonomy*")), the Group's consolidated total assets increased to AED 1.1 trillion (U.S.$305.1 billion) as at 31 December 2019 from AED 879.2 billion (U.S.$239.2 billion) as at 31 December 2018 and AED 844.3 billion (U.S.$229.7 billion) as at 31 December 2017. However, ICD cannot give any assurance that any of its on-going investment activities will be successful or that these investments will not be susceptible to changes in macro-economic environment and performance of financial markets generally. Changes in macro-economic environment and performance of financial markets could materially and adversely affect ICD's ability to execute its investment strategy and in turn impact its business, future cash flows, results of operations or rate of growth and its expected future performance, which could be severe and likely affect its ability to perform its future obligations in respect of any Notes. Accordingly, ICD's historical financial statements are not necessarily determinative of its likely future cash flows, results of operations or rate of growth, and its past performance should not be relied upon as an indication of its future performance

ICD's investments may require significant capital and investment expenditures, which are subject to a number of risks and uncertainties

ICD's investments may be highly capital intensive and such expenditure may materially and adversely affect the profits of ICD. ICD's actual capital and investment expenditures may be significantly higher or lower than planned amounts due to various factors, including, among others, unplanned cost overruns by ICD, ICD's ability to generate sufficient cash flows from investments and ICD's ability to obtain adequate financing or, as the case may be, refinancing for its planned capital and investment expenditures. ICD can make no assurances with regard to whether, or at what cost, its planned or other possible investments will be completed.

If any of the foregoing were to occur, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

ICD and its portfolio companies depend significantly on the members of their respective boards of directors and senior management teams and the loss of any director or key member of their existing management teams or the failure to retain and attract qualified and experienced management could have a material adverse effect on ICD's and the Group's businesses

ICD depends significantly on the diligence and skill of its board of directors (the "**Board**") and senior management team for the execution of its investment strategy and final selection, structuring, completion and ongoing management of its investments (including its portfolio companies). In addition, if ICD's portfolio companies are unable to retain experienced, capable and reliable directors and senior and middle management with appropriate professional qualifications, or fail to recruit skilled professionals in line with their growth, their business and financial performance may suffer. This, in turn, may materially and adversely affect the business and financial performance of ICD, which is largely reliant on the sustained profitability and cash flows received from its portfolio companies.

ICD and the Group's continued success depends to a significant extent on the continued service and coordination of the senior management teams at the ICD and Group level. None of these individuals would be easy to replace at short notice and the departure of any of these individuals could materially and adversely affect ICD's ability to execute its investment strategy and the Group's overall business, results of operations, financial condition and prospects and this could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

ICD may not be able to manage the growth of the Group successfully

ICD's ability to achieve its investment objectives (see further "*Description of ICD and the Group – Investment Strategy*") will depend on its ability to grow and diversify its investment base, which will depend, in turn, on its ability to identify, invest in and monitor a suitable number of investments and implement the various aspects of its investment strategy. Acquisitions expose ICD to numerous risks, including challenges in managing the increased strategic and financial risks that come with the increased scope and geographic and sector diversity of its portfolio companies and asset classes. In addition, acquired businesses may be loss making when acquired by ICD and, unless and until they become profitable, this may significantly adversely affect the Group's, and therefore ICD's, results of operations in periods after the acquisition is effective and may increase ICD's and/or the Group's funding requirements.

Achieving growth on a cost-effective basis will be, in part, a function of how the investment process is structured, ICD's ability to reinvest its capital and ICD's ability to obtain additional capital on acceptable terms (see also "*– ICD may have significant financing or refinancing requirements, the Government is not committed to provide financial or other support to ICD and the Government is not guaranteeing any of ICD's obligations in respect of the Notes*"). Future growth may place a significant strain on ICD's managerial, operational, financial and other resources. The need to manage ICD's investments may require continued development of procedures and management controls, hiring and training additional personnel, as well as training and retaining its employee base. Such growth may also significantly increase costs, including the cost of compliance arising from exposure to additional activities and jurisdictions.

If ICD is not successful in meeting the challenges associated with any significant acquisitions it may make or managing its growth successfully, this could have a material adverse effect on ICD's business, results of operations, financial condition or prospects and could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

ICD and the Group are subject to a range of financial risks

ICD and the Group are, and may continue to be, exposed to a range of financial risks including, in particular, the risk of losses arising as a result of adverse changes in interest rates, commodity prices and foreign exchange rates. For example, ICD expects that it and other companies in the Group may seek additional debt financing (including, in the case of ICD, under the Programme) to fund capital and investment expenditure and operations, and the cost of such financing will depend to a great extent on market interest rates. As a result, increases in interest rates in the future, to the extent that their effects are not adequately hedged (see also "*Description of ICD and the Group – Risk Management – Financial Risk*"), will increase ICD's funding costs and ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

Additionally, although the majority of its portfolio value is currently derived from companies based in the UAE (see "*–Majority of ICD's portfolio companies and other assets are based in the UAE*"), ICD may in the future become more exposed to the risk of currency fluctuations should its portfolio become more geographically diverse over time. In such case, exchange rate movements may have a significant impact on the value of ICD's investments (including the value of its portfolio companies) and ICD's assessment and estimates of future changes in exchange rates and its risk tolerance may impact its ability to protect successfully against currency fluctuations. While ICD may in the future enter into forward foreign exchange contracts to hedge against its exposure to currency fluctuations, ICD cannot give any assurance that any such hedging activities will sufficiently protect it from the adverse effects of such fluctuations. If ICD's currency hedging policies are unsuccessful, the value of investments in ICD's financial results and the income ICD receives could be significantly reduced. This, in turn, could materially and adversely affect ICD's business, results of operations, financial condition or prospects (see also "*– The Group's business may be materially and adversely affected if the dirham/U.S. dollar peg were to be removed or adjusted*" below).

ICD and the Group are also subject to a range of credit risks, equity price risks and liquidity risks (see generally "*Operating and Financial Review – Qualitative Disclosures about Financial Risk Management*"). Although ICD believes that it has in place appropriate risk management procedures, if any of the foregoing financial risks materialise and are not appropriately managed, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

During the ordinary course of business, ICD's portfolio companies may become subject to lawsuits which could materially and adversely affect ICD and the Group

From time to time, in the ordinary course of business, ICD's portfolio companies are named as defendants in lawsuits, claims and other legal proceedings. These actions seek, among other things, compensation for alleged losses, civil penalties or injunctive or declaratory relief. Any such action which is ultimately resolved against the relevant portfolio company could adversely impact ICD's or the relevant portfolio company's reputation and brand, could result in additional similar claims being brought and/or, if perceived as a systemic or pervasive conduct issue, could result in further investigations or enquiries from regulators and/or result in regulatory or legislative actions. The costs of pursuing or defending legal proceedings, and the outcome of any such proceedings, could materially and adversely affect that Group company's business, financial condition, results of operations and prospects which could consequently affect the ability of ICD to perform its obligations in respect of any Notes.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect ICD's and its portfolio companies' businesses

ICD and its portfolio companies are subject to laws and regulations enacted by national, regional and local governments of jurisdictions in which it operates. Such laws and regulations, among other things, relate to licensing requirements, environmental obligations, health and safety obligations, asset and investment controls and a range of other requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time-consuming and costly as these regulations may be extensive and may change either gradually or rapidly, at times unexpectedly and with only a very short period of notice and consultation, all of which are unpredictable and beyond the control of the Group. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change and new laws or regulations could be adopted in ways that are unfavourable to the Group's operations, which could adversely affect the way the Group operates its business. ICD is unable to predict what regulatory changes may be imposed in the future as a result of regulatory initiatives in the UAE or any other jurisdiction where the Group operates. Although each member of the Group continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable. Failure to comply with any of the laws and regulations could potentially expose the Group to civil or criminal liability, reputational damage and sanctions including fines, the loss or limitation of licences, authorisations or permits necessary for the Group's business and stricter regulatory scrutiny or supervision by the applicable authorities. Such failures may arise despite ICD's or the relevant Group company's risk management system. Accordingly, violations of rules and regulations, whether intentional or unintentional, or failure to comply with licensing or other requirements, may adversely affect the Group's business, financial condition, results of operations and prospects which could consequently affect the ability of ICD to perform its obligations in respect of any Notes.

Risks relating to ICD's investment activities

Economic recessions or downturns as a result of COVID-19 or otherwise could impair the value of ICD's portfolio companies or prevent ICD from increasing its investment base

A significant proportion of ICD's investments are in companies that are susceptible to changes in the macro-economic environment and performance of financial markets generally. As at the date of this Base Prospectus, the global economy is experiencing contraction and the performance of global capital markets has been volatile, reflecting the ongoing volatility in the macro-economic climate. In particular, the spread of COVID-19 has caused significant uncertainty and volatility in financial markets worldwide, and is likely to result in lower economic growth globally and among the Gulf Co-operation Council ("**GCC**") states, including the UAE.

COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019 and has continued to spread to most countries around the world, leading the World Health Organisation to declare the outbreak of this communicable disease as a global pandemic on 11 March 2020. In March 2020, the United States, certain EU countries and countries in the Middle East, including the UAE, alongside many other countries worldwide, began imposing restrictions on travel and on the freedom of movement of people, as well as other restrictions intended to reduce in-person interactions. These measures, while aimed to slow the spread of COVID-19, have had an indeterminable adverse impact on the world economy, which has so far included disruption to global supply chains, significant reduction in economic activities worldwide (in particular, for those businesses connected to the travel and hospitality sectors) and increased unemployment levels. In addition, the pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities, including in UAE, where the Group generates a majority of its revenues, but also in many of the other countries in which the Group operates. Although the spread of COVID-19 has slowed in a number of countries that were affected early on in the spread of the disease and some of the related precautionary and preventative measures have since been partially lifted and/or relaxed, including a gradual reopening of businesses and workplaces and the recommencement of international flights, it remains unclear how long and the manner in which any such preventive measures (including any potential re-introduction of such measures or implementation of more far-reaching restrictions or measures than those already announced) will remain in place and what their ultimate impact will be on global and local economies, as well as the price of oil.

Moreover, due to the ongoing spread of COVID-19, financial markets in the United States, Europe and Asia have experienced a period of unprecedented turmoil characterised by extreme volatility and declines in security prices, severely diminished liquidity and credit availability, inability to access capital markets, and an unprecedented level of intervention from governments worldwide. Such challenging market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets. In response to the impact of the COVID-19 on their domestic economies and financial markets, various governments around the world, including the UAE and Dubai, have announced fiscal stimulus packages and numerous central banks have cut interest rates. Specifically, on 3 March 2020, the U.S. Federal Reserve cut its target range for the federal funds rate by 0.5 per cent. to between 1.00 and 1.25 per cent. and, on 15 March 2020, the range was cut further to between 0 to 0.25 per cent. On 16 March 2020, the Central Bank of the UAE (the "**UAE Central Bank**") cut the interest rate applicable to one-week certificates of deposit by 0.75 per cent. to 0.25 per cent. and it also reduced the rates applicable to the interim margin lending facility and the collateralised murabaha facility by 0.50 per cent. (see further "*Overview of the United Arab Emirates and the Emirate of Dubai—Measures taken in the UAE in response to the COVID-19 pandemic*").

However, there can be no assurance that such measures will be sufficient to offset any decline in UAE's economy or that they would have any effect on preventing further outbreaks, and such measures may lead to governmental budget deficits, which may in turn have an adverse impact on Dubai and the UAE's economy and financial condition. A prolongation of the COVID-19 outbreak could significantly adversely affect economic growth and specific industries in which the Group operates. For example, the aviation and hospitality industries have been dramatically impacted by the pandemic. Such disruptions caused by the pandemic may affect operations in certain industries and cause companies within these sectors to incur additional costs or prevent them from carrying out their core activities and initiatives (see further "*– ICD is subject to the industry and business-specific risks faced by its portfolio companies*"). In addition, an escalation in geopolitical tensions and increased use of restrictive measures in response to COVID-19 may negatively impact the attractiveness of the UAE (and, consequently, Dubai) for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and its financial condition. Therefore, in spite of the various economic measures implemented by the UAE and its efforts to prevent and impede the spread of the virus, the measures put in place may not have the desired effect.

These circumstances have further exacerbated the economic slowdown witnessed due to declining oil prices since the beginning of 2020. The UAE's economy, in particular, Abu Dhabi and to a lesser extent Dubai, is significantly impacted by international oil prices. Historically, the price of oil has been volatile and, over the past two decades, international oil prices have fluctuated considerably (see further "*– ICD and the Group are subject to general political and economic conditions in Dubai, the UAE and the Middle East*"). The volatility in oil prices since 2014 has affected the economies of the oil-revenue dependent GCC states, with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen between 2017 and 2019 and in 2020. In the UAE, the prevailing low oil price environment has stimulated a UAE federal government led policy of rationalisation of fiscal spending which, in turn, has led to an ongoing transformation within the UAE economy. The federal government has scaled back capital transfers to government-related entities, cut government investment, raised electricity and water tariffs and removed fuel subsidies. Further, with effect from 1 January 2018, the federal government introduced a value-added tax ("**VAT**") regime in the UAE at a rate of 5 per cent. With effect from 1 December 2019, the federal government also introduced excise tax on specific goods which are typically harmful to human health or the environment. These significant fiscal reforms have become an integral part of a broader federal government strategy aimed at reducing fiscal expenditure generally and fiscal dependency on hydrocarbon related revenues. However, there can be no certainty that these measures will be successful in limiting or eliminating budget deficits or that they will not have other unknown adverse effects.

Many of the UAE's economic sectors are in part dependent on the hydrocarbon sector. For example, the financial institutions sector (and banks in particular) may experience lower liquidity (if significant government and government-owned company deposits are withdrawn to fund deficits) or higher loan losses or impairments. In addition, large government fiscal deficits, which are likely to result in lower government spending, could also impact many other sectors of the economy, including in particular the construction sector to the extent that large projects are delayed or cancelled. Furthermore, sectors that are dependent on household consumption, including education, healthcare and housing, may be adversely affected by lower levels of economic activity that may result from lower government revenue from hydrocarbon production. Such oil price volatility has the potential to adversely affect the UAE's economy and public finances in the future, both directly, through hydrocarbon revenues, and indirectly, through the reduced spending power of governments, companies and individuals in the region, which could, in turn, affect the trade, construction, real estate, tourism and banking sectors, in particular. As a result, there can be no assurance that the UAE's economy will not be materially adversely affected in the future by lengthy periods of low oil prices.

Given that the majority of ICD's current investments and assets are based in the UAE and that the majority of ICD's aggregated assets are represented by portfolio companies domiciled in the UAE, ICD's business, results of operations, financial condition and prospects (and, particularly, ICD's portfolio companies) may be materially adversely affected by a continuation of the generally challenging economic conditions and uncertainty in UAE, which in turn is influenced and affected by current global economic conditions, including regional and international economic growth. See "*—ICD is subject to the industry and business specific risks faced by its portfolio companies*". Any future global downturn, could affect Dubai and the UAE in a number of ways, including having a negative effect on GDP and trade volumes. To the extent that economic growth or performance in Dubai or the UAE slows or declines further or its economic outlook deteriorates, it could lead to a general reduction in liquidity and available financing and generally increased financing costs. As a result of these market conditions and in particular, the impact of COVID-19 and prevailing low oil prices, ICD's portfolio companies have experienced softening of results, and may experience further decreased revenues or face financial losses, difficulty in obtaining access to financing and/or increased funding costs. In the event of a prolonged negative economic climate, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing could cause the value of ICD's affected portfolio companies to decline, in some cases significantly. In addition, in the face of such adverse economic conditions, ICD may have difficulty accessing financial markets, which could make it more difficult to obtain funding for additional projects and/or investments and materially and adversely affect its business, financial condition, results of operations and prospects.

These factors increase ICD and the Group's exposure to worldwide credit market downturns and economic slowdowns. Any of the above factors could materially and adversely affect ICD's business, results of operations, financial condition, prospects and cash flows and thus negatively affect ICD's ability to perform its obligations in respect of any Notes.

The Group is dependent on a few portfolio companies for substantially all of its consolidated revenues, and may be subject to revenue volatility experienced by these companies

The Group derives substantially all of its consolidated revenues from a small number of its portfolio companies (for further detail, see "*Description of ICD and the Group – Subsidiaries, Associates and Joint Ventures*"). For the year ended 31 December 2019, dnata, Emirates, Emirates NBD PJSC ("**ENBD**") and Emirates National Oil Company Limited (ENOC) LLC ("**ENOC**") represented, in aggregate, 84.9 per cent. of the Group's revenue and 73.4 per cent. of the Group's profit before income tax. Each of these companies is subject to regional and global macro-economic factors and have recently been exposed to global economic downturn induced by COVID- 19 which has lately caused, and is likely to continue to cause significant disruption to the world economy, give rise to irregular activities in the global markets and trade and affect investment sentiments, resulting in sporadic volatility in financial markets and trade globally and regionally. Continuation of such adverse conditions could lead to a prolonged weakening of economic conditions, potentially causing a global recession, which could have a pronounced impact on any of these companies (see further "*– ICD is subject to the industry and business-specific risks faced by its portfolio companies*"). A decrease in the revenue or net profit from any of these companies as a result of COVID-19 or otherwise, or other portfolio company that becomes material to the Group's operations in the future, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects which could consequently affect the ability of ICD to perform its obligations in respect of any Notes.

Certain of the investments made by ICD in companies or joint ventures are non-controlling stakes and ICD may be reliant on the expertise of its co-investors or joint venture partners, which may expose ICD to additional risks

Current or future investments in which ICD does not have, or ceases to have (for example, through divestitures), a controlling stake are subject to the risk that the other shareholders of the company in which the investment is made may have different business or investment objectives to ICD. As a result, such shareholders may have the ability to block and/or control business, financial or management decisions which ICD believes are crucial to the success of the investment concerned, or may take risks or otherwise act in a manner that does not take into account the interests of ICD.

In addition, any of ICD's joint venture partners may be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or may experience financial or other difficulties as a result of COVID-19 or otherwise that may materially and adversely affect ICD's investment. In certain of its joint ventures, ICD may be reliant on the particular expertise of its joint venture partners and any failure by any such partner to perform its obligations in a timely and/or diligent manner could also materially and adversely affect ICD's investment. ICD can give no assurance as to the future performance of any of its joint venture partners.

Furthermore, ICD's equity investments in such companies may be diluted if it does not participate in future equity or equity-linked fundraising opportunities.

If any of the foregoing were to occur, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

Not all of ICD's current investment portfolio is liquid, which may adversely affect ICD's ability to divest its investments or generate income or gains upon divestment

ICD plays a key role in Dubai's long-term development strategy. Accordingly, the majority of ICD's current investment portfolio (in particular its portfolio companies) are buy and hold investments and it is likely, based on ICD's long-term investment approach (see further "*Description of ICD and the Group – Planning and Investment Process – New Investments Criteria*"), that a significant portion of ICD's future investments will require a long-term commitment of capital to facilitate the implementation of Dubai's development strategy. Additionally, although a material proportion of ICD's standalone total asset value is attributable to portfolio companies that are publicly held (and whose shares are publicly traded), ICD's long-term investment approach and the relative illiquidity of the remainder of its investments (which are privately held) may make it difficult to sell certain investments, and/or to realise the full value of all of its investments, if the need arises or if ICD determines it would be in its best interests to sell. In addition, if ICD were required to liquidate all or a portion of an investment quickly, it may realise significantly less than the carrying value of that investment. Such factors could materially and adversely affect ICD's business, financial condition, results of operations and prospects which could in turn affect its ability to perform its obligations in respect of any Notes.

ICD is subject to the industry and business-specific risks faced by its portfolio companies

ICD is an investment company and as such is largely dependent on the operations, revenues and cash flows generated by its portfolio companies and their valuations. ICD's portfolio companies are involved in a diverse range of businesses and operations and are subject to differing risks and challenges, largely depending on the industries in which they operate. ICD is also exposed to the specific risks affecting the projects or assets of its portfolio companies. In addition, ICD's exposure to these industry and business-specific risks may increase proportionally if ICD does not develop or maintain a diversified portfolio of investments.

Examples of the industry and business-specific risks to which ICD's portfolio companies are exposed include:

- the airline industry is a cyclical industry; in addition, recent years have seen increased competition from regional competitors in the GCC region. Furthermore, a widespread outbreak of communicable disease, a global economic downturn and/or regional political upheaval could also affect the tourism industry. For instance, since March 2020, certain sectors such as tourism, transportation, hospitality, recreation and entertainment in the UAE, have been particularly affected by the social distancing and other measures enacted in response to the spread of COVID-19. These factors have affected, and are likely to continue to adversely affect, ICD's portfolio companies in the transportation segment (primarily, Emirates, dnata, flydubai and Dubai Aerospace Enterprise (DAE) Limited ("**DAE**")). More particularly, as a result of the general decrease in demand for air travel due to the social-distancing and travel restrictions enacted worldwide in an effort to reduce the spread of COVID-19, Emirates has operated a limited services since grounding passenger flights in March 2020 and it is unclear when normal operations will resume. While Emirates have slowly restarted its flight operations to jurisdictions wherever it is safe and commercially viable, its footprint today is significantly smaller than prior to the COVID-19 outbreak and it may take years for Emirates to recover to pre-pandemic business levels;

- performance of ICD's portfolio companies in the oil and gas products and services segment (primarily, ENOC) is highly dependent on global fuel prices. International oil prices witnessed a steep decline in the first five months of 2020, primarily due to uncertainty surrounding production output levels following the failure of OPEC and certain non-OPEC oil producing countries to reach an agreement to extend voluntary crude oil production adjustments, and significantly lower demand for oil due to the economic slowdown caused by the COVID-19 pandemic. These factors have adversely affected the upstream business of ENOC and led to fuel hedge ineffectiveness in Emirates. See further – *ICD and the Group are subject to general political and economic conditions in Dubai, the UAE and the Middle East*";

- the operations of ICD's portfolio companies in the banking and financial services segment (primarily, ENBD and Dubai Islamic Bank PJSC ("**DIB**")) are influenced by conditions in the global financial markets and macroeconomic trends which have recently been impacted by the COVID-19 pandemic, as well as the regulatory environment and increased competition in the UAE and GCC financial services sector. As mentioned above under "*—Risks relating to ICD's investment activities – Economic recessions or downturns as a result of COVID-19 or otherwise could impair the value of ICD's portfolio companies or prevent ICD from increasing its investment base*", the UAE economy has been adversely impacted by the global economic downturn induced by the COVID-19 market shock, which has affected some of the UAE's key economic sectors including trade, tourism, real estate and commerce. As a result of these adverse market conditions, certain of the customers to which ENBD directly extends credit, as well as counterparties of ENBD, have experienced decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing, increased funding costs and problems servicing their debt obligations or other expenses as they became due. Although ENBD has experienced improving credit quality ratios in recent years, the current uncertainty in the global markets could have a material adverse effect on its financial condition, prospects and results of operations. For example, ENBD increased its non-performing loan coverage, through higher provisioning, in the six months ended 30 June 2020 to address expected increases in non-performing loans in 2020 as a result of the COVID-19 pandemic (*source: ENBD's published financial statements)*. However, uncertainty remains as to the full extent of the impact of COVID-19 on credit quality and further provisioning may be required in subsequent financial periods;

- the aluminium industry is a cyclical industry which has historically experienced significant demand and price volatility and overcapacity. In addition, the industrial manufacturing segment is highly dependent on continued access to an adequate gas supply. Since the beginning of March 2020, the aluminium industry has also been impacted considerably as a result of the ongoing outbreak of COVID-19 and the resultant collapse in aluminium prices and rising excess inventories. This has resulted in companies in the aluminium industry suspending large production capacities or reducing their business activities significantly due to a sharp contraction in external demand caused by the lock-down of other economies. These factors have affected, and are likely to continue to materially adversely affect, the performance of ICD's portfolio companies in the industrial sector (primarily, Emirates Global Aluminium PJSC ("**EGA**") and Dubai Cable Company (Private) Ltd ("**DUCAB**"));

- real estate development projects by ICD's portfolio companies in the real estate sector (primarily, Emaar Properties PJSC ("**Emaar**"), Deira Waterfront Development Holdings LLC ("**DWD Holdings**"), One Za'abeel LLC and Ithra Dubai LLC ("**Ithra**")) involve a number of risks, including:

  (i) delays or failure in obtaining the necessary governmental and regulatory permits, approvals and authorisation;

  (ii) significant capital expenditure requirements which may rely on external financing. Costs of such financing is dependent on numerous factors including general economic and capital markets conditions, interest rates and credit availability from financial institutions;

  (iii) development and construction risks such as shortages and/or increases in the cost of labour, raw materials, building equipment and other necessary supplies (due to rising commodity prices or inflation or otherwise) and/or disputes with contractors and/or subcontractors which may affect their ability to complete the development and construction of the projects on schedule, if at all, or within the estimated budget. In addition, it can take a substantial amount of time before real estate projects become operational and generate revenue;

  (iv) unforeseen engineering problems and the discovery of design or construction defects and otherwise failing to complete projects according to design specification;

  (v) adverse weather conditions, natural disasters, accidents, work stoppages, strikes and/or changes in governmental priorities;

(vi) acts of war, hostilities, epidemics, pandemics (such as the ongoing COVID-19 outbreak) or terrorism;

(vii) defaults by, or the bankruptcy or insolvency of, contractors and other counterparties; and

(viii) a fluctuating supply and demand dynamics impacting the real estate market, both in Dubai and internationally. The current supply-demand imbalance in the sector, particularly in Dubai, has been exacerbated by the pandemic's effect. In particular, from the beginning of March 2020, and in part reflecting the effects of the global economic crisis induced by COVID-19, the real estate market in Dubai has suffered a significant decline. This decline has manifested in, and could lead to prolonged periods of, falling sales prices and rental rates for residential units and falling rental rates for office accommodation; and

- the hospitality industry exhibits seasonality and has historically experienced fluctuations in revenue generation during certain periods. Additionally, the global hospitality industry is currently experiencing significant fluctuations in revenue generation as a consequence of the COVID-19 pandemic. The majority of hotels owned by ICD's portfolio companies, including ICD Hospitality and Leisure LLC ("**ICD H&L**") and Kerzner International Holdings Limited ("**KIHL**"), are classified as luxury hotels which command higher room rates and are therefore more susceptible to, and are currently experiencing, a decrease in revenues as a result of the depressed economic environment (such as the ongoing global financial crisis induced by the outbreak of COVID-19) as business and leisure travellers seek to reduce travel costs and/or are affected by travel restrictions imposed worldwide. Similarly, international restrictions on travel and social gatherings have adversely affected Dubai World Trade Centre Authority (formerly known as Dubai World Trade Centre Corporation, "**DWTC**"), which promotes and manages a range of conference and events venues, as well as business accommodation.

Like other countries, the emergence of COVID-19 poses a new risk to the financial health of the UAE and, consequently, to ICD. Since the beginning of March 2020, the economies of a number of countries in which the Group operates, particularly the UAE, have been adversely affected by the outbreak of COVID-19, which ultimately has restricted ICD's portfolio companies' level of business activity. The pandemic has contributed to unprecedented volatility in the global markets, including the UAE, and it remains unclear how this will evolve through 2020 and beyond. As of the date of this Base Prospectus, the trajectory of the COVID-19 outbreak remains highly uncertain and the extent of the impact posed by COVID-19 in the future is also unclear.

The COVID-19 pandemic is ongoing, and its dynamic nature, including uncertainties relating to the ultimate spread of the virus, the severity of the disease, the duration of the pandemic and the related weakening of economic conditions, such as recessions or slowed economic growth in global markets, and governmental authorities' response to the outbreak and its eventual aftermath, makes it difficult to predict or estimate reliably the degree of the risk posed by the virus. While ICD and its portfolio companies continue to monitor the situation closely, ICD is not yet in a position to identify the full impacts of the above factors. Although a decrease in revenues of ICD's portfolio companies is expected, the duration, impact and severity of such decrease or the rapid spread of the outbreak (more specifically in the UAE in which the Group has significant operations) on the Group's results cannot be predicted as ICD is unable to quantify in any meaningful way the likely scale of the impacts since the duration of the outbreak is currently unknown but such impact could be significant, particularly in the short term. Accordingly, the exposure of ICD's portfolio companies to these factors and other industry and business-specific risks may in the future adversely impact the business, financial condition, results of operations and prospects of these portfolio companies, which, in turn, may have a material adverse effect on the Group's, and consequently ICD's, business, financial condition, results of operations and prospects and this could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

The industries in which the Group operates are highly competitive

The financial services, transportation, hospitality, oil and gas and industrial (specifically metals and mining) sectors are highly competitive. ICD's portfolio companies compete with companies that may possess greater technical, physical and/or financial resources. For instance, in the case of ENOC, many of its competitors engage not only in oil and gas exploration and production but also have refining operations and market petroleum and other products on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources. If, in such cases, the relevant portfolio companies are unable to compete effectively, their business, results of operations, financial condition and prospects could be materially and adversely affected, which could materially and adversely affect the Group's business, results of operations, financial condition and prospects and in turn affect the ability of ICD to perform its obligations in respect of any Notes.

Certain significant portfolio companies of ICD operate in specialised industries and are dependent on their ability to recruit and retain qualified executives, managers and skilled technical personnel and may be exposed to production disruptions caused by labour disputes

Certain significant portfolio companies of ICD, in particular those operating in the transportation, energy and real estate and hospitality sectors, are dependent on the continued services and contributions of their executive officers and skilled technical and other personnel. The businesses of those companies could be adversely affected if they lose the services and contributions of some of these personnel and are unable to adequately replace them, or if they suffer disruptions to their production operations arising from labour or industrial disputes. In addition, these portfolio companies may be required to increase or reduce the number of employees in connection with any business expansion or contraction, in response to changes in the market demand for their products and services. Since these portfolio companies face intense competition for skilled personnel, there can be no assurance that they will be able to recruit and retain skilled personnel in a timely manner. As a result, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected and this could affect the ability of ICD to perform its obligations in respect of any Notes.

ICD is exposed to risks relating to the various strategic and operational initiatives that its portfolio companies may be pursuing and may not have the relevant information regarding the business operations of its publicly listed portfolio companies

ICD does not direct the commercial or operational decisions of its portfolio companies, each of which are managed by their respective management teams and guided and supervised by their boards of directors.

ICD's portfolio companies may pursue strategic and operational initiatives that are deemed by their respective management teams as being necessary to further their business objectives such as pursuing acquisitions or divestments or undergoing significant operational reorganisations. Failure to execute any of these strategic and operational initiatives or to achieve the intended results could have a material adverse effect on the Group's business, financial condition, results of operations and prospects which could consequently affect the ability of ICD to perform its obligations in respect of any Notes.

ICD may pursue investment opportunities in countries in which it has no previous investment experience or in jurisdictions that are subject to greater social, economic and political risks

Majority of ICD's current investments and assets are based in the UAE (as at 31 December 2019, the majority of ICD's aggregated assets were represented by portfolio companies domiciled in the UAE). However, since its inception, ICD has sought, and continues to seek, new investments internationally, as part of its investment strategy. It may therefore undertake projects and make investments in countries in which it has little or no previous investment experience. As a result, ICD may not be able to assess the risks of investing in such countries adequately, notwithstanding advice from its advisers, and may be unfamiliar with the laws and regulations of such countries applicable to its projects and investments. ICD cannot guarantee that its strategy will be successful in such markets and it could lose some or all of the investment value in its international projects and investments.

In addition, investments made by ICD in emerging markets may involve a greater degree of risk than investments in developed countries and, in some cases, may carry significant legal, economic and political risks. Investment opportunities in certain emerging markets may also be restricted by legal limits on foreign investment.

If any of the foregoing risks were to occur or if ICD failed to correctly identify the risks associated with an investment, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

The due diligence process that ICD undertakes in connection with new investments may not reveal all relevant facts

Before making any new investment, ICD conducts due diligence as part of its planning and investment process (see further "*Description of ICD and the Group – Planning and Investment Process*"). The objective of the due diligence process is to identify and assess the viability of investment opportunities, through evaluating critical elements of each potential investment including, among other things, such investment's commercial prospects, its potential for value creation and the risks involved in making such investments. When conducting due diligence, ICD evaluates a number of important business, financial, tax, accounting, regulatory, environmental and legal issues in determining whether or not to proceed with an investment.

Third party consultants, including legal advisers, accountants, investment banks and industry experts, are involved in the due diligence process to varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, ICD can only rely on resources available to it, including information provided by the target of the investment where relevant and, in some circumstances, third party investigations. In some cases, information cannot be verified by reference to the underlying sources to the same extent as ICD could for information produced from its own internal sources. Furthermore, the due diligence process may at times be subjective and ICD can offer no assurance that any due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Any failure by ICD to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which could have a material adverse effect on ICD's business, financial condition, results of operations and prospects and could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

Risks relating to ICD's relationship with the Government

See generally "*Relationship with the Government*".

ICD's financial obligations, including its obligations in respect of the Notes, are not guaranteed by the Government absent an explicit guarantee

Although ICD is wholly-owned by the Government, ICD's obligations in respect of the Notes are not guaranteed by the Government. In addition, although in the past, the Government has provided funding to companies in which it has ownership interests, the Government is under no obligation to extend financial support to ICD and has not, to date, provided any financial support to ICD (which, for the avoidance of doubt, does not include monetary and non-monetary contributions made by the Government to ICD from time to time, primarily in the form of capital expenditure, strategic growth and acquisition related contributions, company ownership interests or land grants). Accordingly, ICD's financial obligations, including its obligations in respect of the Notes, are not and should not be regarded as, obligations of the Government. ICD's ability to meet its financial obligations in respect of the Notes is solely dependent on its ability to fund such amounts from its operating revenues, profits and cash flows. Therefore any decline in ICD's operating revenues, profits and cash flows, or any difficulty in securing external funding, may have a material adverse effect on ICD's business, financial condition, results of operations and prospects and this could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

The Government's interests may, in certain circumstances, be different from the interests of the Noteholders

As ICD's owner, the Government is in a position to control the outcome of actions requiring owner approval and also appoints all the members of the Board and thus has the ability to influence the Board's decisions. For example, ICD may be asked by the Government to work on important strategic investments or divestments or make capital contributions to its existing portfolio of companies in order to contribute to the overall economy of Dubai and decisions made by the Board may be influenced by the need to consider Government objectives, including strategic and development objectives. Notably, on 16 June 2011, H.H. The Ruler of Dubai issued *Law No. 11 of 2011 Amending Law No. 14 of 2007 Establishing Dubai Real Estate Corporation*, which divested ICD of its stake in DREC. From the date of issuance of this law, DREC came under the direct control of H.H. The Ruler of Dubai and, accordingly, ceased to be controlled by ICD. This was treated as a return of capital to the Government during 2011 based on the carrying value of such investment at the date of cessation of ICD's control over DREC amounting to AED 160.3 billion. Separately, on 10 August 2015, H.H. The Ruler of Dubai issued *Law No. 24 of 2015 Transferring the Ownership of the Dubai Aviation Corporation to the Investment Corporation of Dubai*, which transferred ownership of flydubai to ICD. In addition, in June 2009, the Government provided an AED 4.0 billion capital injection to ENBD by providing funds to ICD to fund ICD's purchase of AED 4.0 billion of mandatory convertible Tier 1 debt securities issued by ENBD. The capital injection was made in order to help ENBD satisfy the regulatory capital requirements of the UAE Central Bank. During 2014, ownership of the AED 4.0 billion of mandatory convertible Tier 1 debt securities issued by ENBD was transferred outside of the Group in settlement of the associated liabilities. During the year ended 31 December 2019, the Government provided AED 3.6 billion as a capital contribution to ICD which was used towards subscription in shares of ENBD pursuant to its rights issue.

The interests of the Government may, therefore, from time to time differ from those of ICD's creditors, including the Noteholders. To achieve Dubai's strategic and development objectives, the Government may issue directives or orders to ICD to support a company or make any or further investments in (or divestments from) a company. Such decisions could result in ICD making investments or divestments for other than purely commercial reasons and/or on terms which may be adverse to the commercial interests of ICD. As a result, ICD may not receive optimal investment returns. Further, there can be no assurance that such strategic investments will receive any Government funding.

Accordingly, there can be no assurance that the Government will not exercise significant influence over the strategy, operations and general commercial affairs of ICD. This could have a material and adverse effect on ICD's business, results of operations, financial condition and prospects, and subsequently affect the ability of ICD to perform its obligations in respect of any Notes.

The Government may alter its relationship with ICD

The Government has the ability to limit or amend ICD's mandate, or limit the amount of support (financial or otherwise) provided to, or assets granted to, ICD. Any such actions by the Government could have a material and adverse effect on ICD's business, results of operations, financial condition and prospects, and subsequently affect the ability of ICD to perform its obligations in respect of any Notes.

ICD may be required to make distributions to its owner, the Government

As the owner of ICD, the Government has the right to request that ICD make distributions of profits or assets to the Government, in compliance with the laws of Dubai (including any orders of the Government) and the UAE (to the extent applicable in Dubai).

ICD, from time to time, makes distributions of dividends to the Government and such distributions are decided by the Board after having: (i) considered the best interests of ICD and the Group as a whole; (ii) applied its investment and other income towards, among other things, payment of interest and its maturing debt liabilities; and (iii) budgeted for a retention of certain of its income for future investment purposes and for ICD's own general corporate purposes. ICD may also contribute a portion of the profits it derives from its portfolio companies towards the Government's annual budget, such amount being agreed between ICD and the Government prior to publication of its budget.

However, on rare occasions, distributions can be made based on directives received from the Government. If ICD is directed to make significant distributions or other contributions to the Government in the future, this could have a material and adverse effect on ICD's business, results of operations, financial condition and prospects, and subsequently affect the ability of ICD to perform its obligations in respect of any Notes. See also "*Relationship with the Government – Distributions to the Government*".

ICD's relationship with the Government may restrict its ability to make certain international investments

Certain countries heavily regulate or restrict foreign direct investment, in particular by state-controlled enterprises. These regulations and restrictions are likely to be particularly relevant to investments in sectors considered to be strategically important to the country in which the investment is being made.

As a result, ICD's investment opportunities may be limited by regulatory constraints that arise, in particular, due to the Government's ownership of ICD. It is possible that in certain countries ICD will be prohibited from investing in particular sectors or, to the extent it is permitted to invest in a particular sector, its investments may be restricted or subject to governmental or regulatory approvals that may be difficult to obtain. If ICD is required to limit the scope of or forego attractive investment opportunities due to these restrictions or requirements, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD to perform its obligations in respect of any Notes.

Risks relating to Dubai, the UAE and the Middle East

ICD and the Group are subject to general political and economic conditions in Dubai, the UAE and the Middle East

The Group currently has significant operations and interests in the UAE and, in particular, in Dubai where ICD is based. Investors should be aware that investments in emerging markets are subject to greater risks than those in more developed markets, and carries in some cases significant legal, economic and political risks.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

Although it has one of the most diversified economies in the GCC, the UAE's economy, in particular Abu Dhabi and to a lesser extent Dubai, is significantly impacted by international oil prices. The UAE's economy has in the past been adversely affected by periods of low international oil prices, mostly in the period from mid-2014 to early 2016. Therefore, any significant negative impact on international oil prices may have an impact on regional spending and liquidity in the UAE and, consequently, is likely to affect Dubai's economy indirectly through its impact on the transportation, trade, construction, real estate, tourism and banking sectors in particular, given also the openness of the economy with no capital or exchange controls. According to the OPEC website, the price of the OPEC Reference Basket has fluctuated significantly in recent years.

Since June 2014, international crude oil prices fell from a high monthly average OPEC Reference Basket price per barrel of U.S.$108 in June 2014 to a monthly average price of U.S.$26.50 in January 2016, subsequently recovering U.S.$65.09 in January 2020. However, oil prices have since declined significantly due to lower demand for oil as a result of the economic slowdown caused by the COVID-19 pandemic. In addition to a fall in the demand for oil as a result of the spread of COVID-19, factors such as the inability of OPEC and its allies to efficiently reach an agreement on oil production levels have had a significant impact on the price of oil. For example, in response to the decreasing demand for oil, OPEC officials proposed a plan to the OPEC countries and other non-OPEC countries, including Russia, to reduce global production by 1.5 per cent. However, the parties were unable to reach agreement and the three-year partnership between OPEC and major non-OPEC providers was terminated as a result. On 7 March 2020, the Kingdom of Saudi Arabia announced that it would raise oil output and discount its oil price in April 2020. As a result of the above factors, the OPEC reference basket prices fell significantly from U.S.$48.35 on 6 March 2020 to U.S.$34.72 on 9 March 2020, a decrease of 28.2 per cent. In April 2020, the OPEC reference basket price fell further to U.S.$17.64

per barrel, an 18-year low. A series of meetings took place between 9 and 12 April 2020 amongst OPEC and non-OPEC oil producing countries, which culminated in an agreement to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022. However, this action failed to sufficiently support the oil market with prices falling in the days following that announcement. As a result of the above factors and the COVID-19 outbreak weakening the demand for oil, the OPEC reference basket price fell significantly to U.S.$16.52 per barrel on 1 May 2020, before partially recovering to U.S.$38.22 as at 30 June 2020 and U.S.$ 45.19 as at 20 August 2020 and thereafter decreasing to U.S$38.96 as at 14 September 2020.

Against this backdrop, oil prices may continue to fluctuate in the future in response to changes in many factors over which the Group has no control. The relatively lower global oil price environment from mid-2014 can be attributed to a number of factors, including, but not limited to, a decline in demand for oil due to slower growth in a number of economies, particularly in the emerging markets, the increase in oil production by other producers and competition from alternative energy sources. In general, international prices for crude oil are also affected by the economic and political developments in oil producing regions, particularly the Middle East; economic and political decisions promulgated by OPEC; domestic and foreign supplies of oil; prices and availability of new technologies or alternative fuels; and the global climate and other relevant conditions. There can be no assurance that these factors, in combination with others, particularly (in the near-to-medium term) the effect of COVID-19 on the demand for oil and gas, will not result in a prolonged or further decline in oil prices or when, if at all, international oil prices will recover in the future, that they will not decline any further.

The volatility in oil prices since 2014 has affected the economies of the oil-revenue dependent GCC states, with greater budget deficits, a decrease in fiscal revenues and consequent lower public spending seen between 2017 and 2020. Despite the UAE being viewed as being less vulnerable than some of its GCC neighbours due to the growth in its non-oil sector, fluctuations in energy prices witnessed since the beginning of 2020 is expected to have an important bearing on the UAE's economic growth, more so since the UAE is reliant on non-oil sectors such as the real estate, trade, transportation, tourism, financial and construction sectors, which are all significantly exposed to global recession induced by COVID-19 market shock. In Dubai, the recent fall in oil prices has had a significant negative effect on Dubai's public finances, leading to the Government revising its budget for 2020, resulting in a revised budget deficit of AED 11.9 billion. If the prevailing low international prices for hydrocarbon products are sustained for a significant period of time into the future, this could have a material adverse effect on the UAE's economy which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations and thereby adversely affect ICD's ability to perform its obligations in respect of any Notes. See further "*—Economic recessions or downturns as a result of COVID-19 or otherwise could impair the value of ICD's portfolio companies or prevent ICD from increasing its investment base*".

In addition, the UAE's economy could be adversely affected by economic conditions or related developments both within and outside the Middle East (which in turn could result in a general downturn in, or instability of, the UAE economy) because of the inter-relationships between the global financial markets. The UAE's economy is influenced by global economic conditions (including regional and international economic growth) and financial developments in neighbouring countries or European countries more broadly, in addition to those of emerging markets more generally. Recent political and economic developments in the global economy have affected, and continue to have the potential to negatively impact, the global economy and the UAE.

Following a referendum vote on 23 June 2016 and a formal notice given by the United Kingdom to the European Union on 29 March 2017 under Article 50 of the Treaty on European Union, the United Kingdom left the EU on 31 January 2020, whereupon EU treaties ceased to apply to the United Kingdom. However, as part of the withdrawal agreement between the United Kingdom and the EU, the United Kingdom is now in an implementation period during which EU law continues to apply in the United Kingdom, and the United Kingdom continues to be a part of the EU single market, until the end of 2020. The terms of the United Kingdom's exit from the EU, including the future relationship between the United Kingdom and the EU, remains unclear and subject to ongoing negotiations between the United Kingdom and the EU. The effect of the United Kingdom leaving the EU and the macro-economic impact of such event are impossible to predict and, accordingly, it is difficult to forecast with any certainty the effect of these events. Additionally, the deterioration of trade relations between the United States and China and the escalation of the trade war between these nations, which manifested in a series of customs measures being imposed by the US since mid-2018, countermeasures being imposed by China and the competitive devaluation by China of its currency caused, directly and indirectly, uncertainties in the world's economies in 2019 (and continue to do so in 2020), and consequently increased macroeconomic risk. Such developments, resulting in uncertainty and consequential market disruption, may cause investment decisions to be delayed, widen credit spreads, reduce liquidity, reduce employment levels and damage consumer confidence, and have general negative implications for global trade levels and patterns.

Moreover, the outbreak of COVID-19, coupled with the measures implemented by governmental authorities to contain it, such as travel restrictions, border controls and other measures to discourage or prohibit the movement of people, have had and are expected to continue to have a material adverse impact on the level of economic activity across the globe, including in the UAE. At present, the extent of the impact posed by COVID-19 in the future is unclear and concerns remain as to whether the stimulus and other economic actions taken by a number of countries to mitigate its impact, will counter the anticipated macro-economic risks. It is also unclear as to when the restrictive measures imposed in many countries in an attempt to contain the virus will be deemed successful and therefore relaxed or reduced, or how long and the manner in which any such preventive measures will remain in place (including any potential re-introduction of such measures, whether any further measures are implemented and the extent of any such measures), and how the different sectors of the economy respond to any removal, lifting or re-introduction of any such measures.

In line with global economic trends, the financial performance of ICD's portfolio companies (and, therefore, the Group) has been affected by these trends, and could be materially adversely affected in the future, by a continuation of the aforementioned challenging economic conditions and uncertainty. No assurance can be given that ICD's ability to access capital or sustain its growth and revenues will not be adversely affected by financial and/or economic crises that are existing or may occur in the future including, but not limited to, the factors mentioned above, any of which could materially adversely affect ICD's business, results of operations, financial condition and prospects and, therefore, its ability to perform its obligations in respect of any Notes.

Although the UAE and Dubai enjoy domestic political stability and generally good international relations, there is no guarantee that the UAE or Dubai will continue to do so in the future and there is a risk that regional geopolitical instability could impact the UAE and, consequently, Dubai

Although Dubai and the UAE enjoy domestic political stability and generally healthy international relations, as a country located in the MENA region, there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Egypt, Algeria, the Hashemite Kingdom of Jordan, Libya, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the Republic of Yemen, the Republic of Iraq (Kurdistan), Syria, Palestine, the Republic of Turkey, Tunisia and the Sultanate of Oman. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (which is still ongoing in Syria as at the date of this Base Prospectus) and has given rise to increased political uncertainty across the region and, in certain cases, to a number of regime changes. Additionally, during 2014, a group operating in the name of the Islamic State of Iraq, commonly referred to as "**ISIS**", "**ISIL**" or "**DAESH**", has been mounting challenges against the governments and the population of Iraq and Syria. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian led military intervention in Yemen which began in 2015 in response to requests for assistance from the Yemeni government against the Al Houthi militia. Although the UAE has begun to scale back its involvement in the military intervention in Yemen, there is no guarantee that the UAE will not increase its participation in the future. The UAE is also a member of another Saudi Arabian led military coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. Additionally, in June 2017 a number of MENA countries including the UAE, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the Arab Republic of Egypt severed diplomatic relations with the State of Qatar, citing the State of Qatar's alleged support for terrorism. The severing of diplomatic relations included the withdrawal of ambassadors, as well as the imposition of trade and travel bans, and there can be no assurance that diplomatic ties will be reinstated or that the current situation will not escalate.

More recently, existing tensions in the Gulf region escalated following the seizure by the Republic of Iran of a British tanker in July 2019 and, more broadly, due to several incidents with oil tankers in the Strait of Hormuz. In September 2019, the Abqaiq processing facility and the Kurais oil field in the Kingdom of Saudi

Arabia were damaged in a major act of sabotage which resulted in the temporary interruption of the Kingdom of Saudi Arabia's oil and gas production. In January 2020, the United States carried out a military strike which killed a senior Iranian military commander, which was followed by the Republic of Iran launching missiles at a US base in the Republic of Iraq. In June 2020, it was reported by the United Nations Secretary General that cruise missiles used in several attacks on oil facilities in the Kingdom of Saudi Arabia in 2019, were of Iranian origin. Any continuation or increase in international or regional tensions with the Republic of Iran, including further attacks on or seizures of oil tankers which disrupt international trade, including any impairment of trade flow through the Strait of Hormuz, or any military conflict could have a destabilising impact on the Gulf region, including with respect to the UAE and its ability to export oil and its security.

These situations have caused varying levels of disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as, or similar to, a war or hostilities, the cessation of diplomatic ties, or the impact of such occurrences, and no assurance can be given that ICD would be able to sustain its current profit levels if such events or circumstances were to occur. Continued instability affecting the countries in the MENA region could adversely impact the UAE and, consequently, ICD, although to date there has been no significant impact on the UAE or Dubai. Although the UAE has not experienced significant terrorist attacks such as those experienced by a number of countries in the MENA region, there can be no assurance that extremists or terrorist groups will not initiate disruptive activity (including cyber-terrorism) in the UAE.

The UAE is also dependent on expatriate labour (ranging from unskilled labourers to highly skilled professionals in a range of industry sectors) and Dubai, in particular, has made significant efforts in recent years to attract high volumes of foreign businesses and tourists. These steps make the UAE and Dubai, in particular, potentially more vulnerable should regional instability increase together with the continued economic downturn, resulting in such expatriate labour leaving the UAE and reduced tourism volumes. In addition, the continued instability affecting countries in the MENA region could negatively impact the number of foreign businesses seeking to invest in the UAE.

Dubai is, and will continue to be, affected by economic and political developments in or affecting the UAE and the wider MENA region and investors' reactions to developments in any country in the MENA region may affect securities of issuers in other markets, including Dubai. Increased regional geopolitical instability (whether or not directly involving the UAE) may have a material adverse effect on the UAE's (and, consequently, Dubai's) attractiveness for foreign investment and capital (including human capital), its ability to engage in international trade and, consequently, its economy, financial condition and/or prospects, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition, and thereby adversely affect ICD's ability to perform its obligations in respect of any Notes.

The Group's business may be materially and adversely affected if the dirham/U.S. dollar peg were to be removed or adjusted

The Financial Statements are presented in dirhams, which is ICD's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The dirham has been pegged to the U.S. dollar since 22 November 1980 and remains pegged as at the date of this Base Prospectus. In addition, the following oil producing GCC countries have their currencies pegged to the U.S. dollar as at the date of this Base Prospectus: the Kingdom of Saudi Arabia; the Sultanate of Oman; and the Kingdom of Bahrain. In response to the volatility of oil prices in 2015, oil producing countries with currencies that had been traditionally pegged to the U.S. dollar, faced pressure to de-peg and, in certain cases, did de-peg their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015, which was followed on 21 December 2015 by the removal of the U.S. dollar peg against the Azerbaijani manat. While the likelihood of the GCC states pursuing a similar course of action is unclear, there is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region (in the event that the current challenging market conditions or the volatility in global crude oil prices seen since the beginning of 2020 persist for a prolonged period). While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a de-valuation against the U.S. dollar immediately post-removal of the peg. Given the levels of exposure amongst regional financial institutions to other pegged currencies, it is also likely that such currency de-valuation(s) would adversely impact the banking systems in the UAE and across the wider GCC.

While the UAE Central Bank has, most recently in January 2018, re-iterated its intention to retain the dirham peg against the U.S. dollar, there can be no assurance that the dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects ICD and the Group's result of operations and financial condition. Additionally, any such de-pegging either in the UAE or across the wider region, particularly if such de-pegging is accompanied by the anticipated currency de-valuations against the U.S. dollar (as described above), could have an adverse effect on the Group's business, results of operations and financial condition, and thereby affect ICD's ability to perform its obligations in respect of any Notes.

Tax changes in the UAE may have an adverse effect on the Group

As at the date of this Base Prospectus, ICD and those of its portfolio companies operating in the UAE are not currently subject to corporation tax on their earnings within the UAE. However, with effect from 1 January 2018, the UAE federal government implemented a VAT regime within the UAE at a rate of 5 per cent.

If the UAE authorities introduce new, or alter existing, tax regimes, this may have a material adverse effect on Group's business, results of operations, cash flows and financial condition, which in turn could affect ICD's ability to perform its obligations in respect of any Notes.

Factors which are Material for the Purpose of Assessing the Market Risks Associated with Notes Issued under the Programme

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

The Notes may be subject to optional redemption by the Issuer

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

The Issuer may be expected to redeem Notes when the Guarantor's cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes may be redeemed prior to their final maturity date for tax reasons

If the Issuer becomes obliged to pay any additional amounts in respect of the Notes as provided or referred to in Condition 8 or if the Guarantor is unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts to the extent they are required to be paid pursuant to the federal laws or regulations of the UAE then in force, in each case as a result of any change in, or amendment to, the laws or regulations of (in the case of the Issuer) the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax or (in the case of the Guarantor) the UAE or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issuance of the first Tranche of the relevant Series of Notes, the Issuer may redeem all but not some only of the outstanding Notes of such Series in accordance with Condition 7.2.

Notes issued at a substantial discount or premium are subject to increased volatility

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

Regulation and reform of "benchmarks" may adversely affect the trading market for, value of and return on Notes based on such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (including, without limitation, the London interbank offered rate ("**LIBOR**") and the euro interbank offered rate ("**EURIBOR**")) are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

The Benchmarks Regulation became applicable from 1 January 2018. The Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU or the UK. Among other things it requires benchmark administrators to be authorised or registered (by a national regulator, unless an exception applies) (or, if they are not based in the EU or the UK, to be subject to an equivalent regime or otherwise recognised or endorsed) and prevents certain uses by EU or UK supervised entities of benchmarks administered by administrators that are not authorised or registered (or, if they are not based in either the EU or the UK, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index. In particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmarks Regulation and such changes could, among other things, have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international or national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain benchmarks, trigger changes in the rules or methodologies used in certain benchmarks or lead to the discontinuance or unavailability of quotes of certain benchmarks.

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority (the "**FCA**"), which regulates LIBOR, announced that it would no longer persuade or compel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after the end of 2021 and, on 12 July 2018, announced that the LIBOR benchmark may cease to be a regulated benchmark under the Benchmarks Regulation. Such announcements indicate that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk-free rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk-free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on euro risk-free rates recommended the Euro Short-Term Rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October

2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of any benchmark, the transition of an existing benchmark to an alternative benchmark or a risk-free overnight rate or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 5.2(h)), or result in adverse consequences to holders of any Notes linked to such benchmark. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an original benchmark and/or any page on which such benchmark may be published (or any successor service) becomes unavailable, unlawful or unrepresentative. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Reference Rate with or without the application of an Adjustment Spread and may include amendments to the Conditions, the Trust Deed and/or the Agency Agreement to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser, acting in good faith and following consultation with ICD, or ICD (acting in good faith and in a commercially reasonable manner), as applicable, and without the requirement for the consent or sanction of Noteholders. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may result in the effective application of a fixed rate for Floating Rate Notes (as defined in the Conditions) based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, the interests of the Issuer, ICD or those of its designee or the Independent Adviser, as applicable, in making such determinations or amendments may be adverse to the interests of the Noteholders. Furthermore, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the ICD to meet its obligations in respect of the Notes linked to a benchmark or could have a material adverse effect on the market value or liquidity of, and the amount payable under such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark and the material adverse effect these may have on the value or liquidity of, and return on, any Notes which reference any such benchmark.

The market continues to develop in relation to risk-free rates (including overnight rates) which are possible reference rates for the Notes

Investors should be aware that the market continues to develop in relation to risk-free rates such as SONIA, the Secured Overnight Financing Rate ("**SOFR**") and €STR as reference rates in the capital markets for sterling, U.S. dollar or euro bonds, respectively, and their adoption as alternatives to the relevant interbank offered rates. In addition, market participants and relevant working groups are exploring alternative reference rates based on risk-free rates, including term SONIA, SOFR and €STR reference rates (which seek to measure the market's forward expectation of an average SONIA rate, SOFR or €STR over a designated term).

The use of SONIA, SOFR and €STR as a reference rate for Eurobonds continues to develop both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. In particular, investors should be aware that several different SOFR methodologies have been used in SOFR linked notes issued to date and no assurance can be given that any particular methodology, including the compounding formula in the Conditions, will gain widespread market acceptance.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Notes that reference such risk-free rates issued under this Programme. The Issuer may in the future also issue Notes referencing SONIA, SOFR or €STR that differ materially in terms of interest determination when compared with any previous SONIA, SOFR or €STR referenced Notes issued by it under the Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility or could otherwise affect the market price of any Notes that reference a risk-free rate issued under the Programme from time to time. In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

Risk-free rates differ from LIBOR and EURIBOR in a number of material respects and have a limited history

Risk-free rates may differ from LIBOR, EURIBOR or other interbank offered rates in a number of material respects, including (without limitation) by, in most cases, being backwards-looking, calculated on a compounded or weighted average basis and risk-free overnight rates, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term and include a risk-element based on interbank lending. As such, investors should be aware that LIBOR, EURIBOR and other interbank offered rates and any risk-free rates may behave materially differently as interest reference rates for the Notes.

Interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to or on the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk-free rates to reliably estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to LIBOR-linked Notes or EURIBOR-linked Notes, if Notes referencing backwards-looking SONIA, SOFR or €STR become due and payable under Condition 10, the final Rate of Interest payable in respect of such Notes shall be determined on the date on which the Notes become due.

The use of risk-free rates as a reference rate for Eurobonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such risk-free rates.

Notes referencing risk-free rates may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities referencing such risk-free rates, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Notes may be lower than those of subsequently issued indexed debt securities as a result. Further, if the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Investors should consider these matters when making their investment decision with respect to any Notes.

The administrator of SONIA, SOFR or €STR may make changes that could change the value of SONIA, SOFR or €STR or discontinue SONIA, SOFR or €STR

The Bank of England, The New York Federal Reserve (or a successor) or the European Central Bank, as administrator of SONIA, SOFR and €STR respectively, may make methodological or other changes that could change the value of SONIA, SOFR or €STR, including changes related to the method by which SONIA, SOFR or €STR is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, SOFR or €STR, or timing related to the publication of SONIA, SOFR or €STR. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA, SOFR or €STR (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SONIA, SOFR or €STR.

Fixed Rate Notes are subject to interest rate risks

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

Risks related to the Notes generally

Set out below is a description of material risks relating to the Notes generally:

Modification, waivers and substitution

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

The terms and conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, in the circumstances described in Condition 15 agree to: (a) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes; or determine without the consent of the Noteholders that any Event of Default (as defined in Condition 10) or potential Event of Default shall not be treated as such; provided such modification (other than a Basic Terms Modification), waiver, authorisation or determination is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders; or (b) the substitution of another company as principal debtor under any Notes in place of the Issuer.

Certain bearer notes, the denomination of which involves integral multiples, may be illiquid and difficult to trade

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If Bearer Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Investors in the Notes must rely on Euroclear and Clearstream, Luxembourg procedures

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for Euroclear and Clearstream, Luxembourg (each as defined under "*Form of the Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks relating to enforcement

UAE bankruptcy law

In the event of the insolvency of ICD, UAE bankruptcy law may adversely affect the ability of ICD to perform its obligations in respect of the Notes or under the Guarantee. There is little precedent to predict how a claim on behalf of Noteholders against ICD would be resolved in the case of the insolvency of ICD (including the approach that would be adopted by a liquidator or analogous insolvency official in respect of any subordination agreed as a matter of contract between ICD and any of its creditors).

Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Dubai

The payments under the Notes are dependent upon the Issuer (failing which, the Guarantor) making payments to investors in the manner contemplated under the Notes or the Guarantee, as the case may be. If the Issuer and subsequently the Guarantor fails to do so, it may be necessary to bring an action against the Guarantor to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

The Notes, the Trust Deed, the Agency Agreement (as defined in the Conditions) and the Programme Agreement (as defined in "*Subscription and Sale*") (together, the "**Documents**") are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA in the Dubai International Financial Centre (the "**DIFC**"). In addition, under the Documents, subject to the exercise of an option to litigate given to certain parties, any dispute may also be referred to the courts in England or the courts in the DIFC.

ICD is a decree entity established in the Emirate of Dubai and has its operations and the majority of its assets located in the UAE. To the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self-help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the local courts. Furthermore, under current UAE law, there is a risk that the UAE courts would not enforce an English court judgment or would re-examine the merits of the claim, and may not observe the choice by the parties of English law as the governing law of the relevant Document. In the UAE courts, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

Dubai Law No. 16 of 2011 on Amending Some Provisions of Law No. 12 of 2004 Concerning the Dubai International Financial Centre Courts ("**Law No. 16 of 2011**") came into force in Dubai on 31 October 2011 and extended the jurisdiction of the DIFC courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed in writing to submit those disputes to the jurisdiction of the DIFC courts, even where such parties are unconnected to the DIFC. Under Article 7 of Law No. 16 of 2011, a final and unappealable judgment, decision or order made by the DIFC courts in respect of which it had original jurisdiction and any DIFC-seated arbitral award ratified by the DIFC courts should, upon application to the Dubai Court of Execution, be enforced in the Dubai courts without that court being able to reconsider the merits of the case. As a result, and as any dispute under the Documents may be referred to arbitration in the DIFC and/or referred to the DIFC courts as aforesaid, the DIFC courts should recognise the choice of English law as the governing law of such Documents, and any such final and unappealable judgment of the DIFC courts and any DIFC-seated arbitral award ratified by the DIFC courts in connection therewith should be enforced by the Dubai courts without reconsidering the merits of the case. Investors should note however that there is a risk that the Dubai courts would not enforce the arbitral award made in the DIFC (as described above) or the judgment of the DIFC court, or would reconsider the merits of the case.

As the UAE judicial system is based on a civil code, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

Claims for specific enforcement

In the event that ICD fails to perform its obligations in respect of the Notes, the potential remedies available to the Trustee include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific enforcement of a contractual obligation, as this is generally a matter for the discretion of the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by ICD to perform its obligations as set out in the Notes or the Guarantee.

There are limitations on the effectiveness of guarantees in the UAE

Under the laws of the UAE the obligation of a guarantor is incidental to the obligations of the principal debtor, and the obligations of a guarantor will only be valid to the extent of the continuing obligations of the principal debtor. The laws of the UAE do not contemplate a guarantee by way of indemnity of the obligations of the debtor by the guarantor and instead contemplate a guarantee by way of suretyship. Accordingly, it is not possible to state with any certainty whether a guarantor could be obliged by the Dubai courts to pay a greater sum than the debtor is obliged to pay or to perform an obligation that the debtor is not obligated to perform.

In order to enforce a guarantee under the laws of the UAE, the underlying debt obligation for which such guarantee has been granted may need to be proved before the Dubai courts. Furthermore, if a Dubai court were to apply UAE law principles when assessing a claim in respect of the guarantee of the Notes, the Guarantor may be released from its obligations under such guarantee if the relevant claim is not made within six months of payment becoming due under the guarantee of the Notes.

The waiver of immunity by the Issuer and the Guarantor may not be effective under the laws of the UAE

UAE law provides that public or private assets owned by the UAE or any of the emirates therein may not be confiscated. Since the Guarantor (directly) and the Issuer (indirectly) are wholly-owned and controlled by the Government, there is a risk that the assets of the Issuer and the Guarantor may fall within the ambit of government assets and as such cannot be attached or executed upon.

In connection with the Notes to be issued under the Programme, the Issuer and the Guarantor have waived their rights in relation to sovereign immunity; however, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by each of them under the Programme Agreement, the Trust Deed and the Agency Agreement are valid and binding under the federal laws of the UAE as applicable in Dubai.

A change of law may adversely affect the Notes

The Conditions are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

Risks related to the market generally

Set out below is a description of the material market risks, including liquidity risk, exchange rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. As a result, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Such risks are heightened for any Notes that: (i) are especially sensitive to interest rate risks, currency risk or other market risks; (ii) have been designed for specific investment objectives or strategies; or (iii) have been structured to meet the investment requirements of certain limited categories of investors, as such types of Notes generally would have a more limited secondary market and increased price volatility than conventional debt securities. Any such, relative illiquidity may have a severely adverse effect on the market value of the Notes.

If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes and the Guarantor will, if so required, make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or Specified Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (a) the Investor's Currency-equivalent yield on the Notes; (b) the Investor's Currency equivalent value of the principal payable on the Notes; and (c) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Notes as well as the availability of Specified Currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal.

DOCUMENTS INCORPORATED BY REFERENCE

The following document which has previously been published and has been filed with the CBI shall be incorporated in, and form part of, this Base Prospectus:

- the Terms and Conditions of the Notes contained in the base prospectus dated 6 May 2014, pages 48 to 78 (inclusive), prepared by the Issuer and the Guarantor in connection with the Programme, an electronic copy of which is available at: http://www.ise.ie/debt_documents/Base%20Prospectus_f4f3b6cf-5316-4749-9d59-a1c810f40eeb.PDF

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and the Guarantor and approved by the CBI in accordance with Article 23 of the Prospectus Regulation and by the DFSA in accordance with Rule 2.6 of the Markets Rules and for the purposes of Article 14 of the Markets Law. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the website of Euronext Dublin (*www.ise.ie*), the website of the Nasdaq Dubai (*www.nasdaqdubai.com*), the registered office of each of the Issuer and the Guarantor and from the specified office of the Paying Agent for the time being in London.

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

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

Each of the Issuer and the Guarantor will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Notes will be offered and sold outside the United States to persons who are not U.S. persons (as defined in Regulation S) in reliance on Regulation S under the Securities Act ("**Regulation S**").

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a "**Temporary Bearer Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Bearer Global Note**" and, together with a Temporary Bearer Global Note, each a "**Bearer Global Note**") which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**").

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached (a) upon not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein; (b) only upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Permanent Bearer Global Notes and definitive Bearer Notes which have an original maturity of more than 365 days and on all interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

Each Tranche of Registered Notes will initially be represented by a global note in registered form (a "**Registered Global Note**"). Registered Global Notes will be deposited with the Common Depositary and registered in the name of its nominee. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Payments of principal, interest or any other amount in respect of the Registered Global Note will be made to the persons shown on the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Registered Global Note is being held is open for business.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

General

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Guarantor, the Principal Paying Agent and the Trustee.

No Noteholder or Couponholder (each as defined in the Conditions) shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, (i) having become bound so to proceed, fails so to do within a reasonable period, or (ii) or is unable by reason of an order of a court having competent jurisdiction to do so, and the failure or inability shall be continuing.

The Issuer and the Guarantor may agree with the Trustee and any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche issued under the Programme. In the case of Notes to be issued on the basis that they will either: (a) not be admitted to listing, trading on a regulated market for the purposes of MiFID II in the EEA or the UK and/or quotation by any competent authority, stock exchange and/or quotation system; or (b) be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer and the relevant Dealer and, accordingly, no base prospectus will be required to be produced in accordance with the Prospectus Regulation, all references to the Prospectus Regulation in the applicable Final Terms will be excluded.

[**MiFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.][1]

[**NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (THE "SFA")** – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309B(1)(c) of the SFA), that the Notes are capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Singapore Monetary Authority (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][2]

[*Date*]

ICD FUNDING LIMITED
(LEI Code: [635400ND71SBRGJJVF09])
Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
guaranteed by
Investment Corporation of Dubai
(LEI Code: [6354001CBBZXJHDGZY76])
under the U.S.$2,500,000,000
Euro Medium Term Note Programme

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1 Include where Part B item 6(f) of the Final Terms specifies "Applicable".

2 Legend to be included on front of the Final Terms if the Notes: (i) are being sold into Singapore; and (ii) do not constitute prescribed capital markets products as defined under the CMP Regulations 2018.

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 23 September 2020 [and the supplement[s] to the Base Prospectus dated [•] [and [•]]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 8(4) of the Prospectus Regulation][3] and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus [and these Final Terms][4] [is/are] available for viewing on the website of Euronext Dublin (*www.ise.ie*), the website of Nasdaq Dubai (*www.nasdaqdubai.com*) and during normal business hours at the registered office of the Issuer at c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and at the registered office of the Guarantor at Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, United Arab Emirates.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 6 May 2014, which are incorporated by reference in the Base Prospectus dated 23 September 2020. This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 8(4) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**")][5] and must be read in conjunction with the Base Prospectus dated 23 September 2020 [and the supplement[s] to the Base Prospectus dated [•] [and [•]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Base Prospectus**") in order to obtain all the relevant information. The Base Prospectus [and these Final Terms][6] [is/are] available for viewing on the website of Euronext Dublin (*www.ise.ie*), the website of Nasdaq Dubai (*www.nasdaqdubai.com*) and during normal business hours at the registered office of the Issuer at c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1 1104, Cayman Islands and at the registered office of the Guarantor at Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, United Arab Emirates.]

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	(a)	Issuer:	ICD Funding Limited
	(b)	Guarantor:	Investment Corporation of Dubai
2.	(a)	Series Number:	[•]
	(b)	Tranche Number:	[•]
	(c)	Date on which the Notes will be consolidated and form a single Series	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on the [Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [•] below, which is expected to occur on or about [*date*]]/[Not Applicable]

3 To be included only if the Notes are to be admitted to listing on the official list, and to trading on the regulated market, of Euronext Dublin or other regulated market for the purposes of the Prospectus Regulation.

4 To be included only if the Notes are to be admitted to listing on the official list, and to trading on the regulated market, of Euronext Dublin or other regulated market for the purposes of the Prospectus Regulation and/or admitted to trading on Nasdaq Dubai and to listing on the official list of securities maintained by the Dubai Financial Services Authority.

5 To be included only if the Notes are to be admitted to listing on the official list, and to trading on the regulated market, of Euronext Dublin or other regulated market for the purposes of the Prospectus Regulation.

6 To be included only if the Notes are to be admitted to listing on the official list, and to trading on the regulated market, of Euronext Dublin or other regulated market for the purposes of the Prospectus Regulation and/or admitted to trading on Nasdaq Dubai and to listing on the official list of securities maintained by the Dubai Financial Services Authority.

3.	Specified Currency or Currencies:		[•]
4.	Aggregate Nominal Amount:		[•]
	(a)	Series:	[•]
	(b)	Tranche	[•]
5.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations: (*in the case of Registered Notes this means the minimum integral amount in which transfers can be made*)	[•] (*Note – For an issue in bearer form, where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above [€199,000]."*) (*N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area or United Kingdom exchange; and (ii) only offered in the European Economic Area or in the United Kingdom in circumstances where a prospectus is not required to be published under the Prospectus Regulation the €100,000 minimum denomination is not required.*) (*N.B. If an issue of Notes is NOT listed on Nasdaq Dubai, the U.S.$100,000 minimum denomination is not required.*)
	(b)	Calculation Amount:	[•] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.*)
7.	(a)	Issue Date:	[•]
	(b)	Interest Commencement Date:	[•]/[Issue Date]/[Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:		[*Fixed rate - specify date*]/[*Floating rate* - Interest Payment Date falling in or nearest to [*specify month*]]
9.	Interest Basis:		[•] per cent. Fixed Rate [[•] +/- [•] per cent. per annum Floating Rate] [Zero Coupon] *(see paragraph [13][14][15] below)*
10.	Redemption[/Payment] Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11.	Put/Call Options:		[Investor Put] [Change of Control Put] [Issuer Call]

			(see paragraph[s] [17][18][19]) below)
12.	(a)	Status of the Notes:	Unsubordinated
	(b)	Status of the Guarantee:	Unsubordinated
	(c)	[Date of [Board] approval for issuance of Notes and Guarantee obtained:	[•] [and [•], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[•] per cent. per annum payable [annually/semi-annually] in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[•] [and [•]] in each year up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s): *(Applicable to Notes in definitive form.)*	[•] per Calculation Amount
	(d)	Broken Amount(s): *(Applicable to Notes in definitive form.)*	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]][Not Applicable]
	(e)	Day Count Fraction:	[30/360][Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[•] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
14.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[•] [,[in each case] subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
	(b)	Effective Interest Payment Date:	[The date falling [•] Business Days following each Interest Payment Date, provided that the Effective Interest Payment Date with respect to the last Interest Period will be the Maturity Date or, if the Issuer elects to redeem the Notes before the Maturity Date, the date fixed for redemption (*include for Payment Delay only*)]

		/[Not Applicable][7]
(c)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(d)	Additional Business Centre(s):	[•]
(e)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(f)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[•]
(g)	Screen Rate Determination:	
	• Reference Rate:	[AUD LIBOR / BBSW / EIBOR / €STR / EURIBOR / HIBOR / JPY LIBOR / LIBOR / PRIBOR / SAIBOR / SHIBOR / SONIA / SOFR / TRLIBOR]
	• Interest Determination Date(s):	[•]/[The date falling [•] Business Days prior to the first day of each Interest Period]/[First day of each Interest Period]/[The [first/second/third/[•]] Business Day immediately preceding the Interest Payment Date for each Interest Period (or immediately preceding such earlier date, if any, on which the Notes are due and payable).][*provide details*]/[*The Interest Payment Date at the end of each Interest Period; provided that the Interest Determination Date with respect to the last Interest Period prior to the Maturity Date or the date fixed for redemption will be the Rate Cut-off Date - Include this wording for Payment Delay only]*][8]
	• Relevant Screen Page:	[•]
	• Relevant Time:	[•]
	• Relevant Financial Centre	[•]
	• Calculation Method:	[Compounded Daily]/[Weighted Average]/[Not Applicable]
	• Observation Method:	[Lag]/[Lock-out]/[Observation Shift]/[Payment Delay]/[Not Applicable]

7 Effective Interest Payment Dates should be at least 5 Business Days after the Interest Payment Dates, unless otherwise agreed with the Principal Paying Agent.

8 To be at least 5 Business Days before the relevant Interest Payment Date where the Reference Rate is SONIA, SOFR or €STR.

	•	Observation Look-back Period:	[•]/[Not Applicable][9]
	•	D:	[365]/[360]/[•]/[Not Applicable]
	•	Rate Cut-off Date:	[The date falling [•] Business Days prior to the Maturity Date or the date fixed for redemption, as applicable – *used for Payment Delay only*][10]/[Not Applicable]
(h)	ISDA Determination:		
	•	Floating Rate Option:	[•]
	•	Designated Maturity:	[•]
	•	Reset Date:	[•]
(i)	Linear Interpolation:		[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(j)	Margin(s):		[+/-] [•] per cent. per annum
(k)	Minimum Rate of Interest:		[•] per cent. per annum][Not Applicable]
(l)	Maximum Rate of Interest:		[•] per cent. per annum][Not Applicable]
(m)	Day Count Fraction:		[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)]

15.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[•] per cent. per annum
	(b)	Reference Price:	[•]
	(c)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360] [Actual/360] [Actual/365]

9 The length of the Observation Look-back Period should be at least as many Business Days as the period between the Interest Payment Date and the Interest Determination Date. "Observation Look-back Period" is only applicable where "Lag" or "Observation Shift" is selected as the Observation Method; otherwise, select "Not Applicable".

10 The Rate Cut-off Date should be at least 5 Business Days before the Maturity Date or the date fixed for redemption, unless otherwise agreed with the Principal Paying Agent.

PROVISIONS RELATING TO REDEMPTION

16.	Notice periods for Condition 7.2:			Minimum period: [30] days Maximum period: [60] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or the Guarantor and the Principal Paying Agent or the Trustee*)
17.	Issuer Call:			[Applicable][Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):		[•]
	(b)	Optional Redemption Amount:		[•] per Calculation Amount
	(c)	If redeemable in part:		
		(i)	Minimum Redemption Amount:	[•]
		(ii)	Maximum Redemption Amount:	[•]
	(d)	Notice periods:		Minimum period: [15] days Maximum period: [30] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or the Guarantor and the Principal Paying Agent or the Trustee*)
18.	Investor Put:			[Applicable][Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):		[•]
	(b)	Optional Redemption Amount:		[•] per Calculation Amount
	(c)	Notice periods:		Minimum period: [15] days Maximum period: [30] days

		(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or the Guarantor and the Principal Paying Agent or Trustee*)
19.	Change of Control Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Change of Control Redemption Amount:	[•] per Calculation Amount]
	(b) Notice Periods:	Minimum period: [•] days Maximum period: [•] days (N.*B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or the Guarantor and the Principal Paying Agent or Trustee*)
20.	Final Redemption Amount:	[•] per Calculation Amount
21.	Early Redemption Amount payable on redemption for taxation reasons or an event of default and/or the method of calculating the same:	[•] per Calculation Amount [Amortised Face Amount, calculated in accordance with Condition 7.5(c)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] [Registered Notes: Registered Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg] (*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in*

		excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes)
23.	Additional Financial Centre(s):	[Not Applicable/[•]]
		(*Note that this paragraph relates to the date of payment and not Interest Period end dates to which sub paragraph 14(b) relates*)
24.	Talons for future Coupons to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
		(*Note – To be completed for an issuance of bearer Notes only. Not applicable for a registered issue of Notes*)

Signed on behalf of
ICD Funding Limited

____
By:
Duly authorised

Signed on behalf of
Investment Corporation of Dubai

____
By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example, Euronext Dublin's Regulated Market or Nasdaq Dubai*) and, if relevant, listing on an official list (*for example, the Official List of Euronext Dublin or the Official List maintained by the Dubai Financial Services Authority)*] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example, Euronext Dublin's Regulated Market or Nasdaq Dubai*) and, if relevant, listing on an official list (*for example, the Official List of Euronext Dublin or the Official List maintained by the Dubai Financial Services Authority)*] with effect from [•].] (*where documenting a fungible issue indicate that original notes are already admitted to trading*) [Not Applicable]
(b)	Estimate of total expenses related to admission to trading:	[•]

2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer and the Guarantor are aware, no person involved in the issue of the Notes has an interest material to the offer. The [Manager/Dealers] and their affiliates have engaged, any may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer or the Guarantor or their affiliates in the ordinary course of business for which they may receive fees – *Amend as appropriate if there are other interests.*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.*)]

3. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[•] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

4. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [AUD LIBOR / BBSW / EIBOR / €STR / EURIBOR / HIBOR / JPY LIBOR / LIBOR / PRIBOR / SAIBOR / SHIBOR / SONIA / SOFR / TRLIBOR] rates can be obtained from [Reuters].

5. OPERATIONAL INFORMATION

(a)	ISIN Code:	[•]

(b)	Common Code:	[•]
(c)	CFI:	[•]/[As set out on the website of the Association of Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Applicable]]
(d)	FISN:	[•]/[As set out on the website of the Association of Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [Not Applicable]
(e)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(f)	Delivery:	Delivery [against/free of] payment
(g)	Names and addresses of additional Paying Agent(s) (if any):	[•]

6. DISTRIBUTION

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(c)	Date of [Subscription] Agreement:	[•]
(d)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(e)	U.S. Selling Restrictions:	[Regulation S Category 2][TEFRA D/TEFRA C/TEFRA not applicable]
(f)	Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable]

7. USE OF PROCEEDS

(a)	Use of proceeds:	[See "*Use of Proceeds*" in the Base Prospectus/[•]]
(b)	Estimated net proceeds:	[•]

8. THIRD PARTY INFORMATION

Each of the Issuer and the Guarantor confirms that all third party information contained in this Base Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify terms and conditions which complete the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by ICD Funding Limited (the "**Issuer**") constituted by an amended and restated trust deed dated 23 September 2020 (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") made between the Issuer, Investment Corporation of Dubai (the "**Guarantor**") and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being trustee or trustees appointed under the Trust Deed).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 23 September 2020 (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, the Guarantor, the Trustee, Citibank N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time in connection with the Notes and, together with any other paying agents appointed from time to time in connection with the Notes, the "**Paying Agents**", which expression shall include any additional or successor paying agents appointed from time to time in connection with the Notes) and as transfer agent (the "**Transfer Agent**", which expression shall include any successor transfer agent appointed from time to time in connection with the Notes and, together with any other transfer agents appointed from time to time in connection with the Notes, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents appointed from time to time in connection with the Notes), Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and complete these Terms and Conditions (the "**Conditions**") for the purposes of this Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**") (which expression shall mean (in the case of Bearer Notes) the bearer of the Notes and (in the case of Registered

Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for their respective Issue Dates, the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available in physical form for inspection during normal business hours at the registered office for the time being of the Principal Paying Agent being at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the specified office of each of the Registrar and each of the Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the "**Agents**"). Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and at the specified office of the Principal Paying Agent and copies may be obtained from those offices save that, if this Note is neither: (i) admitted to trading on a regulated market in the European Economic Area or in the United Kingdom or offered in the European Economic Area or in the United Kingdom in circumstances where a prospectus is required to be published under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); nor (ii) listed on the official list of securities maintained by the Dubai Financial Services Authority or admitted to trading on Nasdaq Dubai Ltd. ("**Nasdaq Dubai**"), the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Trustee and the relevant Agent as to its holding of such Notes and identity. If this Note is admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**"), the applicable Final Terms will also be available for viewing on the website of Euronext Dublin at www.ise.ie. If this Note is admitted to trading on Nasdaq Dubai, the applicable Final Terms will also be available for viewing on the website of Nasdaq Dubai at www.nasdaqdubai.com. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and *provided that*, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In these Conditions, "**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a "**Fixed Rate Note**", a "**Floating Rate Note**" or a "**Zero Coupon Note**" or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Guarantor, the Principal Paying Agent and the Trustee.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the Specified Denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the Specified Denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the

Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the delivery of, at its specified office to the transferee or (at the risk of the transferee) send by regular uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3. STATUS OF THE NOTES AND THE GUARANTEE

3.1 Status of the Notes

The Notes and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured monetary obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured, unsubordinated monetary obligations of the Issuer, present and future.

3.2 Status of the Guarantee

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the "**Guarantee**"). The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured monetary obligations of the Guarantor and (subject as aforesaid and save for certain obligations required to be preferred by law) rank and will rank equally with all other unsecured, unsubordinated monetary obligations of the Guarantor, present and future.

4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will: (i) create or permit to subsist any mortgage, charge, lien, pledge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction) (each, a "**Security Interest**"), other than a Permitted Security Interest (as defined below), upon, or with respect to, the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto securing the Notes equally and rateably with the same Security Interest as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other Security Interest as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

"**Non-recourse Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any project, *provided that*:

(a) any Security Interest given by the Issuer or the Guarantor in connection therewith is limited solely to the assets of the project;

(b) the persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the sole source of repayment for the moneys advanced; and

(c) there is no other recourse to the Issuer or the Guarantor in respect of any default by any person under the financing;

"**Permitted Security**" Interest means:

(a) any Security Interest created or outstanding with the approval of an Extraordinary Resolution of the Noteholders;

(b) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Notes;

(c) any Security Interest granted to secure a Non-recourse Project Financing or to secure any indebtedness incurred in connection with a Securitisation;

(d) any Security Interest securing Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with, or acquired by, the Issuer or the Guarantor, *provided that* such Security Interest was not created in contemplation of such merger, consolidation or acquisition and does not extend to any other assets or property of the Issuer or the Guarantor;

(e) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer or the Guarantor and not created in contemplation of such acquisition;

(f) any Security Interest created by, or outstanding in respect of, the Issuer or the Guarantor, *provided that* the amount of any Relevant Indebtedness secured by such Security Interest (when aggregated with the amount (if any) of Relevant Indebtedness secured by other Security Interests created by, or outstanding in respect of, the Issuer or the Guarantor (but ignoring for these purposes any Relevant Indebtedness secured by any Security Interest under sub-paragraphs (a) to (e) above (inclusive) and paragraph (g) below)) does not exceed 10 per cent. of the consolidated total assets of the Guarantor and its consolidated subsidiaries, as shown in the most recent prepared audited consolidated financial statements of the Guarantor and its consolidated subsidiaries; or

(g) any renewal of or substitution for any Security Interest permitted by any of sub-paragraphs (a) to (f) (inclusive) of this definition, *provided that* with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, debenture stock, loan stock, Sukuk Obligations in respect of certificates or other securities, in each case which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market;

"**Securitisation**" means any securitisation of existing or future assets and/or revenues, *provided that*:

(a) any Security Interest given by the Issuer or the Guarantor in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;

(b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the sole source of repayment for the money advanced or payment of any other liability; and

(c) there is no other recourse to the Issuer or the Guarantor in respect of any default by any person under the securitisation; and

"**Sukuk Obligation**" means any undertaking or other obligation to pay money given in connection with the issue of sukuk certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount (as defined in this Condition 5.1);

and, in each case, multiplying such sum by the applicable Day Count Fraction (as defined in this Condition 5.1), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Calculation Amount**" means the amount specified as such in the applicable Final Terms;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of

"**Determination Dates**" (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes

(a) **Interest Payment Dates**

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each "**Interest Period**" (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (I) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of

(b) below shall apply *mutatis mutandis* or (II) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions:

"**Business Day**" means a day which is:

I. a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

II. if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open; and

III. either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a TARGET Settlement Day; and

"**TARGET Settlement Day**" means any day on which the TARGET2 System is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes not referencing SONIA, SOFR or €STR

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and the Reference Rate is specified in the applicable Final Terms as being a Reference Rate other than SONIA, SOFR or €STR, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no offered quotation appears or, in the case of (B) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

Subject to Condition 5.2(h), if on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre inter-bank market plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the Relevant Financial Centre inter-bank market plus or minus (as appropriate) the Margin (if any), *provided that*, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In these Conditions:

"**Interest Determination Date**" has the meaning given in the applicable Final Terms;

"**Reference Banks**" means the principal office in the Relevant Financial Centre of four major banks in the Relevant Financial Centre inter-bank market, in each case selected by the Principal Paying Agent and approved in writing by the Trustee;

"**Reference Rate**" means any one of the following benchmark rates or such other benchmark rate specified in the applicable Final Terms in respect of the currency and period specified in the applicable Final Terms:

(a) Australian dollar LIBOR ("**AUD LIBOR**");

(b) Australia Bank Bill Swap ("**BBSW**");

(c) Emirates interbank offered rate ("**EIBOR**", available on the Relevant Screen Page as EIBOR=);

(d) Euro Short-Term Rate ("**€STR**");

(e) Euro-Zone interbank offered rate ("**EURIBOR**");

(f) Hong Kong interbank offered rate ("**HIBOR**", available on the Relevant Screen Page as HKABHIBOR);

(g) Japanese Yen LIBOR ("**JPY LIBOR**");

(h) London interbank offered rate ("**LIBOR**");

(i) Prague interbank offered rate ("**PRIBOR**");

(j) Saudi Arabia interbank offered rate ("**SAIBOR**", available on the Relevant Screen Page as SAIBOR=);

(k) Shanghai interbank offered rate ("**SHIBOR**");

(l) Sterling Overnight Index Average ("**SONIA**");

(m) Secured Overnight Financing Rate ("**SOFR**"); and

(n) Turkish Lira interbank offered rate ("**TRLIBOR**", available on the Relevant Screen Page as TRLIBOR01);

"**Relevant Financial Centre**" means the financial centre specified as such in the applicable Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate; and

"**Relevant Time**" means the time specified as such in the applicable Final Terms.

(iii) Screen Rate Determination for Floating Rate Notes referencing SONIA, SOFR or €STR

(A) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and the Reference Rate is specified in the applicable Final Terms as being SONIA, SOFR or €STR:

(1) where the Calculation Method in respect of the relevant Series of Notes is specified in the applicable Final Terms as being "Compounded Daily", the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 5.2(c) and Condition 5.2(h) and subject as provided below) be the Compounded Daily Reference Rate plus or minus (as indicated in the applicable Final Terms) the Margin, all as determined by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards; and

(2) where the Calculation Method in respect of the relevant Series of Notes is specified in the applicable Final Terms as being "Weighted Average", the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 5.2(c) and Condition 5.2(h) and subject as provided below) be the Weighted Average Reference Rate plus or minus (as indicated in the applicable Final Terms) the Margin, all as determined by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards.

(B) Where "SONIA" is specified as the Reference Rate in the applicable Final Terms, subject to Condition 5.2(h), if, in respect of any Business Day, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be:

(1) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (or, if earlier, close of business) on the relevant Business Day; plus (ii) the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or

(2) if the Bank Rate is not published by the Bank of England at 5.00 p.m. (or, if earlier, close of business) on the relevant Business Day, the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors),

and, in each case, "**r**" shall be interpreted accordingly.

(C) Where "SOFR" is specified as the Reference Rate in the applicable Final Terms, subject to Condition 5.2(h), if, in respect of any Business Day, the Principal Paying

Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the SOFR does not appear on the Relevant Screen Page, such Reference Rate shall be the SOFR for the first preceding Business Day on which the SOFR was published on the New York Federal Reserve's Website (and "**r**" shall be interpreted accordingly).

(D) Where "€STR" is specified as the Reference Rate in the applicable Final Terms, subject to Condition 5.2(h), if, in respect of any Business Day, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the €STR rate does not appear on the Relevant Screen Page, such Reference Rate shall be the €STR for the first preceding Business Day on which the €STR was published on the Relevant Screen Page (and "**r**" shall be interpreted accordingly).

(E) In the event that the Rate of Interest for the relevant Interest Period cannot be determined in accordance with the foregoing provisions, subject to Condition 5.2(h), the Rate of Interest for such Interest Period shall be that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

(F) If the relevant Series of Notes become due and payable in accordance with Condition 10, the last Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as the Notes remain outstanding, be that determined on such date.

(G) In these Conditions:

If "Payment Delay" is specified in the applicable Final Terms as being applicable, all references in these Conditions to interest on the Notes being payable on an Interest Payment Date shall be read as references to interest on the Notes being payable on an Effective Interest Payment Date instead;

"**Applicable Period**" means:

(a) where "Lag", "Lock-out" or "Payment Delay" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Period; and

(b) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the Observation Period relating to such Interest Period;

"**Business Day**" or "**BD**", means:

(a) where "SONIA" is specified as the Reference Rate in the applicable Final Terms, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

(b) where "SOFR" is specified as the Reference Rate in the applicable Final Terms, any day which is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed; and

(c) where "€STR" is specified as the Reference Rate in the applicable Final Terms, a day on which TARGET2 System is open for settlements of payments in euro;

"**Calculation Method**" has the meaning given in the applicable Final Terms;

"**Compounded Daily Reference Rate**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment in the Specified Currency (with the applicable Reference Rate (as indicated in the applicable Final Terms and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) as at the relevant Interest Determination Date as follows, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{r_{i-pBD} \text{ x } n_i}{D}\right)-1\right] \text{x } \frac{D}{d}$$

"**D**" is the number specified in the applicable Final Terms;

"**d**" means, for the relevant Applicable Period, the number of calendar days in such Applicable Period;

"$\mathbf{d_o}$" means, for the relevant Applicable Period, the number of Business Days in such Applicable Period;

"**Effective Interest Payment Date**" means any date or dates specified as such in the applicable Final Terms;

"**€STR**" means, in respect of any Business Day, a reference rate equal to the daily euro short-term rate for such Business Day as provided by the European Central Bank, as administrator of such rate (or any successor administrator of such rate), on the website of the European Central Bank currently at http://www.ecb.europa.eu, or any successor website officially designated by the European Central Bank (the "**ECB's Website**") in each case, on or before 9:00 a.m., (Central European Time) on the Business Day immediately following such Business Day;

"**i**" means, for the relevant Applicable Period, a series of whole numbers from one to $\mathbf{d_o}$, each representing the relevant Business Day in chronological order from, and including, the first Business Day in such Applicable Period;

"**Lock-out Period**" means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

"$\mathbf{n_i}$", for any Business Day "i" in the Applicable Period, means the number of calendar days from, and including, such Business Day "i" up to but excluding the following Business Day;

"**New York Federal Reserve's Website**" means the website of the Federal Reserve Bank of New York currently at http://www.newyorkfed.org, or any successor website of the Federal Reserve Bank of New York;

"**Observation Look-back Period**" has the meaning given in the applicable Final Terms;

"**Observation Method**" has the meaning given in the applicable Final Terms;

"**Observation Period**" means, in respect of the relevant Interest Period, the period from, and including, the date falling "p" Business Days prior to the first day of such

Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is "p" Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"**p**" means, for any Interest Period:

(a) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of Business Days included in the Observation Look-back Period specified in the applicable Final Terms (which shall not be less than five Business Days without the consent of the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms));

(b) where "Lock-out" or "Payment Delay" is specified as the Observation Method in the applicable Final Terms, zero; and

(c) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the number of Business Days included in the Observation Look-back Period specified in the applicable Final Terms ((which shall not be less than five Business Days without the consent of the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms));

"**r**" means:

(a) where in the applicable Final Terms "SONIA" is specified as the Reference Rate and either "Lag" or "Observation Shift" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day;

(b) where in the applicable Final Terms "SOFR" is specified as the Reference Rate and either "Lag" or "Observation Shift" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day;

(c) where in the applicable Final Terms "€STR" is specified as the Reference Rate and either "Lag" or "Observation Shift" is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day;

(d) where in the applicable Final Terms "SONIA" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:

   i. in respect of any Business Day "i" that is a Reference Day, the SONIA rate in respect of the Business Day immediately preceding such Reference Day; and

   ii. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SONIA rate in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);

(e) where in the applicable Final Terms "SOFR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:

   i. in respect of any Business Day "i" that is a Reference Day, the SOFR in respect of the Business Day immediately preceding such Reference Day; and

ii. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SOFR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);

(f) where in the applicable Final Terms "€STR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:

i. in respect of any Business Day "i" that is a Reference Day, the €STR in respect of the Business Day immediately preceding such Reference Day; and

ii. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the €STR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);

(g) where in the applicable Final Terms "SONIA" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the SONIA rate in respect of the Rate Cut-off Date;

(h) where in the applicable Final Terms "SOFR" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the SOFR in respect of the Rate Cut-off Date; and

(i) where in the applicable Final Terms "€STR" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the €STR in respect of the Rate Cut-off Date;

"**Rate Cut-off Date**" has the meaning given in the applicable Final Terms;

"**Reference Day**" means each Business Day in the relevant Interest Period, other than any Business Day in the Lock-out Period;

"$\mathbf{r_{i\text{-}pBD}}$" means the applicable Reference Rate as set out in the definition of "r" above for, (i) where, in the applicable Final Terms, "Lag" is specified as the Observation Method, the Business Day (being a Business Day falling in the relevant Observation Period) falling "p" Business Days prior to the relevant Business Day "i" or, (ii) otherwise, the relevant Business Day "i";

"**SOFR**" means, in respect of any Business Day, a reference rate equal to the daily Secured Overnight Financing Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Federal Reserve's Website, in each case on or about 5.00 p.m. (New York City Time) on the Business Day immediately following such Business Day (the "**SOFR Determination Time**");

"**SONIA**" means, in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors in each case on the Business Day immediately following such Business Day;

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities; and

"**Weighted Average Reference Rate**" means:

(a) where "Lag" is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day; and

(b) where "Lock-out" is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Interest Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Period, provided however that for any calendar day of such Interest Period falling in the Lock-out Period, the relevant Reference Rate for each day during that Lock-out Period will be deemed to be the Reference Rate in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall, subject to the proviso above, be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

Notwithstanding any other provision in this Condition 5:

(i) if the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.2(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest; and

(ii) if the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.2(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for such Interest Period.

The Principal Paying Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount (as defined in this Condition 5.2);

and, in each case, multiplying such sum by the applicable Day Count Fraction (as defined in this Condition 5.2), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Calculation Amount**" means the amount specified as such in the applicable Final Terms;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (A) that day is the last day of February or (B) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (A) that day is the last day of February but not the Maturity Date or (B) such number would be 31, in which case D_2 will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period *provided however that* if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the other Paying Agents and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(h) **Benchmark Replacement**

Notwithstanding the provisions above in this Condition 5.2, if the Guarantor determines that a Benchmark Event has occurred in relation to a Reference Rate when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply:

(i) the Guarantor shall use reasonable endeavours to appoint an Independent Adviser as soon as reasonably practicable to determine a Successor Rate or, alternatively, if the Independent Adviser determines that there is no Successor Rate, an Alternative Reference Rate and/or (in either case) an Adjustment Spread, together with any Benchmark Amendments no later than five Business Days prior to the Interest Determination Date relating to the next succeeding Interest Period (the "**Interest Period Determination Cut-off Date**") for the purposes of determining the Rate of Interest (or the relevant component thereof) applicable to the Notes for all future Interest Periods (subject to the operation of this Condition 5.2(h));

(ii) if:

(A) the Guarantor is unable to appoint an Independent Adviser; or

(B) the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate, and/or (in either case) the applicable Adjustment Spread, prior to the Interest Period Determination Cut-off Date in accordance with subparagraph (i) above,

then the Guarantor (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if the Guarantor determines that there is no Successor Rate, an Alternative Reference Rate and/or (in either case) an Adjustment Spread for the purposes of determining the Rate of Interest (or the relevant component thereof) applicable to the Notes for all future Interest Periods (subject to the operation of this Condition 5.2(h)); ***provided, however, that*** if this subparagraph (ii) applies and the Guarantor has failed to determine a Successor Rate or an Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread, prior to the Interest Determination Date relating to the next succeeding Interest Period in accordance with this subparagraph (ii), the Rate of Interest applicable to such Interest Period shall be at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period for which the Rate of Interest was determined, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

For the avoidance of doubt, if this subparagraph (ii) applies and the Guarantor has failed to determine a Successor Rate or an Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread, prior to the Interest Determination Date relating to the next succeeding Interest Period in accordance with this subparagraph (ii), this subparagraph (ii) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the operation of this Condition 5.2(h) in its entirety;

(iii) if a Successor Rate or an Alternative Reference Rate is determined in accordance with the preceding provisions, such Successor Rate or Alternative Reference Rate (as applicable) shall be the Reference Rate for all future Interest Periods (subject to the subsequent operation of this Condition 5.2(h) in its entirety including in the event of a further Benchmark Event affecting the Successor Rate or the Alternative Reference Rate);

(iv) the Adjustment Spread (or the formula for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be);

(v) if the Independent Adviser or the Guarantor (as the case may be) determines a Successor Rate or an Alternative Reference Rate and, in each case, the applicable Adjustment Spread, in accordance with the above provisions, the Independent Adviser (in consultation with the Guarantor) or the Guarantor (acting in good faith and in a commercially reasonable manner) may also specify changes to these Conditions, the Trust Deed and/or the Agency Agreement, including to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Day, Interest Determination Date, Interest Payment Dates and/or the definition of Reference Rate or Adjustment Spread applicable to the Notes (and in each case, related provisions and definitions), in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (as applicable) (such amendments, the "**Benchmark Amendments**"), and (i) the Issuer and the Guarantor shall, subject to giving notice thereof in accordance with Condition 5.2(h)(vii), without any requirement for the consent or approval of the Noteholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice and such Benchmark Amendments shall apply to the Notes for all future Interest Periods (subject to the operation of this Condition 5.2(h) in its entirety); and (ii) the Trustee and the Agents shall (at ICD's expense), without consent or approval of the Noteholders, be required to concur with the Issuer and the ICD in effecting such Benchmark Amendments provided that no such

Benchmark Amendments shall impose more onerous obligations on the Trustee or any of the Agents or expose it to any additional liabilities against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional duties or, or decrease or amends its rights and protections, unless it consents;

(vi) any Independent Adviser appointed pursuant to this Condition 5.2(h) shall act in good faith and subject as aforesaid (in the absence of gross negligence, fraud or wilful misconduct) shall have no liability whatsoever to the Guarantor, the Principal Paying Agent or Noteholders for any determination made by it or for any advice given to the Guarantor in connection with any determination made by the Guarantor pursuant to this Condition 5.2(h). No Noteholder consent shall be required in connection with effecting the Successor Rate or the Alternative Reference Rate (as applicable), any Adjustment Spread or such other changes pursuant to subparagraph (v), including for the execution of any documents, amendments or other steps by the Guarantor or the Principal Paying Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and Interest Amounts) (if required);

(vii) the Issuer (failing which, Guarantor) shall, following the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread, give notice thereof and of any Benchmark Amendments pursuant to subparagraph (v) above to the Principal Paying Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and Interest Amounts) at least 5 Business Days prior to the relevant Interest Determination Date. The Guarantor shall give notice to the Noteholders in accordance with Condition 14 promptly thereafter; and

(viii) Notwithstanding any other provision of this Condition 5.2(h) if in the Principal Paying Agent's opinion (or the opinion of such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and Interest Amounts) there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5.2(h), the Principal Paying Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and Interest Amounts) shall promptly notify the Guarantor thereof and the Guarantor (acting in good faith and in a commercially reasonable manner) shall direct such party in writing as to which alternative course of action to adopt. If the Principal Paying Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and Interest Amounts) is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Guarantor thereof and (other than due to its own gross negligence, wilful default or fraud) such party shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

In these Conditions:

"**Adjustment Spread**" means either: (i) a spread (which may be positive, negative or zero); or (ii) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(a) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Guarantor) or the Guarantor (acting in good faith and in a commercially reasonable manner) (as applicable) determines is customarily applied to the relevant Successor Rate or Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the relevant Successor Rate or Alternative Reference Rate (as applicable); or

(c) in the case the Independent Adviser (in consultation with the Guarantor) or the Guarantor (acting in good faith and in a commercially reasonable manner) determines that no such spread, formula or methodology is customarily applied, the Independent Adviser (in consultation with the Guarantor) or the Guarantor in its discretion (acting in good faith and in a commercially reasonable manner) (as applicable), determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Reference Rate, where such Reference Rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or

(d) in the case the Independent Adviser (in consultation with the Guarantor) or the Guarantor (acting in good faith and in a commercially reasonable manner) determines that there is no such industry standard, the Independent Adviser (in consultation with the Guarantor) or the Guarantor (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate;

"**Alternative Reference Rate**" means an alternative benchmark or screen rate that the Independent Adviser (in consultation with the Guarantor) or the Guarantor (as applicable) determines (acting in good faith and in a commercially reasonable manner) is customarily applied in international debt capital markets transactions for the purposes of determining floating rates of interest (or the relevant component part thereof) in respect of Notes denominated in the Specified Currency and of a comparable duration to the relevant Interest Period or, if the Independent Adviser (in consultation with the Guarantor) or the Guarantor determines (acting in good faith and in a commercially reasonable manner) that there is no such rate, such other rate as the Independent Adviser (in consultation with the Guarantor) or the Guarantor (as applicable) determines (acting in good faith and in a commercially reasonable manner) in its discretion is most comparable to the relevant Reference Rate;

"**Benchmarks Regulation**" means Regulation (EU) 2016/1011;

"**Benchmark Event**" means:

(a) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered or ceasing to be published for at least five Business Days; or

(b) a public statement by the administrator of the relevant Reference Rate that it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**") (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate); or

(c) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the "**Specified Future Date**") be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the "**Specified Future Date**"), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

(e) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor such Reference Rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market; or

(f) it has or will, by a specified date within the following six months, become unlawful for the Principal Paying Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and Interest Amounts) or the Guarantor to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (b), (c), (d) or (e) above and the relevant Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date;

"**Financial Stability Board**" means the organisation established by the Group of Twenty (G20) in April 2009;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with relevant expertise, in each case appointed by the Guarantor at its own expense under Condition 5.2(h);

"**Relevant Nominating Body**" means, in respect of a Reference Rate:

(a) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of:

    (i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the reference rate relates;

    (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate;

    (iii) a group of the aforementioned central banks or other supervisory authorities;

    (iv) the International Swaps and Derivatives Association, Inc. or any part thereof; or

    (v) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means the reference rate (and related alternative screen page or source, if available) that is formally recommended by any Relevant Nominating Body as a successor to or replacement of the relevant Reference Rate.

5.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

6.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon *provided that* such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any

Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (a) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (b) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account, details of which appear on the Register at the close of business on the fifth business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (a) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (b) where in definitive form, at the close of business on the 15th day (whether or not such 15th day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition 6.4 arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

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

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition 6, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payment of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

6.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

    (i) in the case of Notes in definitive form only, the relevant place of presentation;

    (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

    (iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

6.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and

(f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date, subject as provided in Condition 6.

7.2 Redemption for tax reasons

Subject to Condition 7.5, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issuance of the first Tranche of the relevant Series of Notes; and

(b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

This Condition 7.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an "**Issuer Call**". If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14; and

(b) not less than the minimum period of days before the giving of the notice referred to in (a) above, notice to the Trustee and the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**") and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

7.4 Redemption at the option of the Noteholders (Investor Put)

(a) If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed or, as the case may be, purchased under this Condition 7.4 in any multiple of their lowest Specified Denomination.

(b) If Change of Control Put is specified in the applicable Final Terms and if a Change of Control Event occurs, the Issuer will, upon the holder of any Note giving notice within the Change of Control Put Period to the Issuer in accordance with Condition 14 (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 7.2 or Condition 7.3), redeem or, at the Issuer's option, purchase (or procure the purchase of) such Note on the Change of Control Put Date at the Change of Control Redemption Amount together (if applicable) with interest accrued to but excluding the Change of Control Put Date.

Promptly upon the Issuer or the Guarantor becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 14 to that effect.

(c) To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Noteholder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and repayable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4.

(d) For the purpose of these Conditions:

a "**Change of Control Event**" shall occur each time the government of the Emirate of Dubai (the "**Government**") or any other department, agency, authority or entity wholly-owned by the Government:

(i) sells, transfers or otherwise disposes of any of its ownership interest in the Guarantor, other than to an entity directly or indirectly wholly-owned by the Government; or

(ii) otherwise ceases to own (directly or indirectly) the entire ownership interest in the Guarantor;

"**Change of Control Redemption Amount**" shall mean, in relation to each Note to be redeemed or purchased pursuant to Condition 7.4(b), an amount equal to the nominal amount of such Note or such other amount as may be specified in the applicable Final Terms;

"**Change of Control Put Date**" shall be the tenth day after the expiry of the Change of Control Put Period *provided that*, if such day is not a day on which banks are open for general business in both London and the principal financial centre of the Specified Currency, the Change of Control Put Date shall be the next following day on which banks are open for general business in both London and the principal financial centre of the Specified Currency; and

"**Change of Control Put Period**" shall be the period of 30 days commencing on the date that a Change of Control Notice is given.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^{y}$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**Y**" is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.6 Purchases

The Issuer, the Guarantor or any Subsidiary of the Guarantor may at any time purchase Notes (*provided that*, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation.

7.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

7.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 7.1 to 7.4 (inclusive) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer or the Guarantor will be made free and clear of and without withholding or deduction for or on account of any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such Taxes in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(b) presented or surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting or surrendering the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 6.6).

Notwithstanding anything to the contrary in these Conditions, the Issuer, the Guarantor, any paying agent and any other person shall be permitted to withhold and deduct, and shall not be required to pay any additional amounts with respect to, any withholding or deduction imposed on or with respect to any Note pursuant to Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, the Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

As used herein:

"**Relevant Date**" means, in relation to any payment, the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14;

"**Tax Jurisdiction**" means the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax or the United Arab Emirates or any Emirate therein or any political subdivision or any authority thereof or therein having power to tax; and

"**Taxes**" means any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction.

9. PRESCRIPTION

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in aggregate nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) (but in the case of the happening of any of the events described in paragraphs (b) and (l) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur and be continuing:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven Business Days in the case of principal and 14 Business Days in the case of interest; or

(b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or

(c) if (i) any Financial Indebtedness of the Issuer or the Guarantor is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Financial Indebtedness becomes due and repayable prior to its stated maturity by reason of default (however described), or (iii) any Security Interest given by the Issuer or the Guarantor for any Financial Indebtedness becomes enforceable and any step is taken to enforce the Security Interest (including the taking of possession or the appointment of a receiver, manager or other similar person, but excluding the issue of any notification to the Issuer or the Guarantor, as the case may be, that such Security Interest has become enforceable) unless the full amount of the Financial Indebtedness which is secured by the relevant Security Interest is discharged within 60 days of the later of the first date on which: (a) a step is taken to enforce the relevant Security Interest; and (b) the Issuer or Guarantor, as the case may be, is notified that a step has been taken to enforce the relevant Security Interest, *provided that* no event described in this sub-paragraph (c) shall constitute an Event of Default unless the amount of all the relevant Financial Indebtedness described in (i), (ii) and/or (iii) of this Condition 10.1(c), either alone or when aggregated with all other relevant Financial Indebtedness in respect of which one or more of the events described in (i), (ii) and/or (iii) of this Condition 10.1(c) shall have occurred and is continuing, shall be more than U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) if one or more judgments or orders for the payment of any sum in excess of U.S.$50,000,000 (whether individually or in aggregate) is rendered against the Issuer or the Guarantor and continues unsatisfied, unstayed and unappealed (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days) for a period of 45 days after the date thereof; or

(e) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Guarantor, save for the purposes of any intra-Group reorganisation on a solvent basis; or

(f) if the Issuer or the Guarantor ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or the Issuer or the Guarantor stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(g) if (i) court or other formal proceedings are initiated against the Issuer or the Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer or the Guarantor, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Guarantor or, as the case may be, in relation to the whole or substantially all of the undertaking, assets or revenues of any of them or an encumbrancer takes possession of the whole or substantially all of the undertaking, assets or revenues of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially all of the undertaking, assets or revenues of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 30 days; or

(h) if the Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), save for the purposes of any intra-Group reorganisation on a solvent basis; or

(i) if any event occurs which under the laws of the Cayman Islands (in the case of the Issuer) or the United Arab Emirates or any Emirate therein (in the case of the Guarantor) has an analogous effect to any of the events referred to in paragraphs (e) to (h) (inclusive) above; or

(j) if at any time (x) any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer or the Guarantor to perform their respective obligations under or in respect of the Notes, the Trust Deed or the Agency Agreement or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified in a manner which adversely affects any rights or claims of any of the Noteholders or (y) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any or all of its obligations under or in respect of the Notes, the Trust Deed or the Agency Agreement or any of the obligations of the Issuer or of the Guarantor thereunder are not or cease to be legal, valid, binding or enforceable for reasons other than set out in paragraph (x);

(k) if the Guarantee ceases to be, or is claimed by the Issuer or by the Guarantor not to be, in full force and effect; or

(l) if the Issuer ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by the Guarantor.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes, and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in aggregate nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, (i) having become bound so to proceed, fails so to do within a reasonable period, or (ii) or is unable by reason of an order of a court having competent jurisdiction to do so, and the failure or inability shall be continuing.

10.3 Definitions

For the purposes of this Condition "**Financial Indebtedness**" means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes, sukuk, certificates or other similar instruments).

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, *provided that*:

(a) there will at all times be a Principal Paying Agent and a Registrar; and

(b) so long as the Notes are listed on any stock exchange or admitted to trading and/or quotation by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee, and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in the Republic of Ireland or published on the website of Euronext Dublin (*www.ise.ie*) or, in either case such publication is not practicable, in a leading English Language newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading and/or quotation by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed or Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor and/or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than one-twentieth in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting *for passing an Extraordinary Resolution* is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (defined in the Trust Deed as a Basic Terms Modification and which includes modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or the Coupons or modifying any provision of the Guarantee (other than as permitted under clause 19 of the Trust Deed)), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting and whether or not they vote on such Extraordinary Resolution, and on all Couponholders.

The Trustee may agree, without the consent or sanction of the Noteholders or Couponholders, to any modification (other than a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent or sanction as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent or sanction as aforesaid, to any modification, waiver, authorisation or determination of any provision contained in the Notes, the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and any such modification, waiver, authorisation or determination shall, unless the Trustee agrees otherwise, be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter *provided that* failure to give such notification shall not invalidate such modification, waiver, authorisation or determination.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination under these Conditions and the Trust Deed and/or the Agency Agreement), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of another company, being a Subsidiary of the Guarantor, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders, and in accordance with the Trust Deed, to create and issue further notes having terms and conditions the same as the Notes or the same in all respects, save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue, so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CURRENCY INDEMNITY

The Specified Currency is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes and the Coupons, including damages. Any amount received or recovered in a currency other than the Specified Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder or Couponholder, as the case may be, in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount of the Specified Currency which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount of Specified Currency is less than the amount of Specified Currency expressed to be due to the recipient under any Note or Coupon, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon, as the case may be, or any other judgment or order.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing Law

The Trust Deed, the Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons (including the remaining provisions of this Condition 20), are and shall be governed by, and construed in accordance with, English law.

20.2 Agreement to arbitrate

Subject to Condition 20.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed, the Notes and/or the Coupons (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 20.2. For these purposes:

(a) the seat of arbitration shall be the Dubai International Financial Centre (the "DIFC");

(b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and

(c) the language of the arbitration shall be English.

20.3 Option to litigate

Notwithstanding Condition 20.2 above, the Trustee (or, but only where it is permitted to take action in accordance with the Trust Deed, any Noteholder) may, in the alternative, and at its sole discretion, by notice in writing to the Issuer and the Guarantor:

(a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Trustee (or, but only where it is permitted to take action in accordance with the Trust Deed, any Noteholder) gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 20.4 and, subject as provided below, any arbitration commenced under Condition 20.2 in respect of that Dispute will be terminated. With the exception of the Trustee (whose costs will be borne by the Issuer, failing which the Guarantor), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

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

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) such arbitrator's entitlement to be paid his proper fees and disbursements; and

(iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

20.4 Effect of exercise of an option to litigate

In the event that a notice pursuant to Condition 20.3 is issued, the following provisions shall apply:

(a) subject to paragraph (c) below, the courts of England or the courts of the DIFC, at the option of the Trustee (or, but only where it is permitted to take action in accordance with the Trust Deed, any Noteholder), shall have exclusive jurisdiction to settle any Dispute and each of the Issuer and the Guarantor submits to the exclusive jurisdiction of such courts;

(b) each of the Issuer and the Guarantor agrees that the courts of England or the courts of the DIFC, as applicable, are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(c) this Condition 20.4 is for the benefit of the Trustee, the Noteholders and the Couponholders only. As a result, and notwithstanding paragraph (a) above, the Trustee (or, but only where it is permitted to take action in accordance with the Trust Deed, any Noteholder) may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee (or, but only where it is permitted to take action in accordance with the Trust Deed, any Noteholder) may take concurrent Proceedings in any number of jurisdictions.

20.5 Appointment of Process Agent

The Issuer appoints (and the Guarantor has in the Trust Deed appointed) Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD as its agent for service of process, and undertakes that, in the event of Maples and Calder ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings or Disputes. The Issuer and the Guarantor each agree that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

20.6 Waiver of immunity

Each of the Issuer and the Guarantor irrevocably and unconditionally with respect to any Dispute or Proceedings: (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction; (ii) submits to the jurisdiction of the English courts, the courts of the DIFC and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts, the courts of the DIFC or the courts of any competent jurisdiction in relation to any Dispute or Proceedings; and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after judgment, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment in connection with any Dispute or Proceedings.

20.7 Other documents

The Issuer and the Guarantor have, in the Trust Deed and the Agency Agreement, made provision for arbitration, submission to the jurisdiction of the English or (as applicable) the courts of the DIFC, the appointment of an agent for service of process and the waiver of immunity in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be lent by the Issuer to ICD through intercompany loans and will be used by ICD for its general corporate purposes.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated in the Cayman Islands as an exempted company with limited liability on 6 February 2014 under the Companies Law (2013 Revision) of the Cayman Islands, registered in the Cayman Islands with registration number MC 284993. Its registered office is c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1 1104, Cayman Islands and the telephone number of the registered office is +1 345 949 8066.

The authorised share capital of the Issuer is U.S.$50,000 divided into 50,000 ordinary shares with a par value of U.S.$1.00 each. The issued share capital of the Issuer is 100 shares, which are fully paid and held by ICD. The Issuer has no subsidiaries.

Business of the Issuer

The Issuer has limited prior operating history and limited prior business, which relates to the issuance of U.S.$500,000,000 4.625 per cent. Notes on 21 May 2014 and 17 October 2017, and will not engage in any business activity other than the issuance of Notes under the Programme.

The Issuer has, and will have, no assets other than the sum of U.S.$100 representing the issued and paid up share capital, such fees (as agreed) payable to it in connection with the issuance of Notes under this Programme and its interest in any loan agreements entered into by it with ICD from time to time pursuant to which it loans the proceeds of the issuance of any Tranche of Notes to ICD.

Financial Statements

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Issuer

The board of directors of the Issuer and their principal occupations are as follows:

Director	Principal Occupation
Khalifa Hassan Abdulla Al Daboos	Deputy Chief Executive Officer, ICD
Hassan Mohamed Abdulla Amer Al Nahdi	Head of Treasury and Capital Markets, ICD

The business address of each member of the board of directors is Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, United Arab Emirates.

There are no potential conflicts of interests between the duties of the directors of the Issuer to the Issuer and their private interests or other duties.

CAPITALISATION

The following table sets forth the Group's capitalisation as at 31 December 2019.

This table should be read together with "*Presentation of Financial and Other Information*", "*Selected Historical Financial Data*", "*Operating and Financial Review*" and the Financial Statements, appearing elsewhere in this Base Prospectus.

	As at 31 Dec 2019
	(AED'000)
Cash and deposits with banks[(1)]	**175,618,121**
Debt	
Short-term debt[(2)]	91,351,050
Long-term debt[(3)]	210,946,067
Total debt	**302,297,117**
Equity	
Capital	68,185,180
Retained earnings	127,356,815
Other reserves[(4)]	9,096,003
Non-controlling interests	46,934,705
Total equity	**251,572,703**
Total capitalisation[(5)]	**553,869,820**

(1) Comprises the current assets portion and non-current assets portion of cash and deposits with banks. Cash and deposits with banks includes reserve requirements kept with the UAE Central Bank and the various other central banks of the countries in which ENBD and its subsidiaries operate (collectively, the "**Central Banks**") which are not available for day-to-day operations of the Group and cannot be withdrawn without approval from the Central Banks.

(2) Comprises short-term borrowing and lease liabilities.

(3) Comprises long-term borrowing and lease liabilities.

(4) Other reserves comprise legal and statutory reserve, capital reserve, merger reserve, cumulative changes in fair value, hedge reserve, general reserve, asset replacement reserve, translation reserve and others.

(5) Total equity plus total debt.

SELECTED HISTORICAL FINANCIAL DATA

The tables below set forth selected historical consolidated financial information for the Group as at and for each of the years ended 31 December 2019, 2018 and 2017.

The selected financial information set forth below should be read in conjunction with, and is subject to, "*Presentation of Financial and Other Information*", "*Operating and Financial Review*" and the Financial Statements, appearing elsewhere in this Base Prospectus. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

Consolidated Statement of Financial Position Data

The table below shows the Group's consolidated statement of financial position as at 31 December 2019, 31 December 2018 and 31 December 2017:

	As at 31 December		
	2019	2018	2017
		(AED '000)	
Total non-current assets	**580,318,327**	**442,300,983**	**432,121,075**
Property, plant and equipment	177,065,885	179,176,581	172,924,480
Intangible assets	28,595,202	26,432,579	26,416,408
Right-of-use assets	62,052,088	-	-
Investment properties	23,496,987	19,780,074	16,659,973
Development properties	3,535,606	2,536,527	1,222,414
Investments in associates and joint ventures	53,250,910	52,993,913	47,302,127
Investment securities	47,271,737	24,432,482	23,545,069
Other non-current assets	7,540,012	16,083,257	21,844,909
Islamic financing and investment products	28,531,651	24,016,824	27,795,434
Loans and receivables	136,977,692	91,576,692	90,545,706
Cash and deposits with banks	5,271,928	2,746,014	1,721,688
Positive fair value of derivatives	5,642,225	2,298,225	1,966,517
Deferred tax assets	1,086,404	227,815	176,350
Total current assets	**540,998,223**	**436,926,334**	**412,172,827**
Investment securities	18,362,925	5,122,734	5,752,037
Inventories	12,432,406	11,329,371	11,085,275
Trade and other receivables	39,019,679	34,848,080	35,852,720
Islamic financing and investment products	42,876,527	47,009,226	34,970,602
Loans and receivables	244,140,482	182,636,563	164,951,227
Cash and deposits with banks	170,346,193	144,301,634	152,184,286
Positive fair value of derivatives	2,514,264	2,027,505	1,223,566
Customer acceptances	10,227,557	7,736,164	6,111,947
Assets classified as held for sale	1,078,190	1,915,057	41,167
Total assets	**1,121,316,550**	**879,227,317**	**844,293,902**
Total equity	**251,572,703**	**237,767,517**	**227,472,072**
Total non-current liabilities	**264,338,911**	**191,347,211**	**183,740,962**
Employees' end of service benefits	4,465,484	3,901,593	3,610,298
Borrowings and lease liabilities	210,946,067	162,368,999	156,165,743
Negative fair value of derivatives	4,613,338	2,016,038	1,668,404
Other non-current payables	12,611,541	11,481,644	13,105,776
Customer deposits	21,630,971	9,299,577	7,576,160
Islamic customer deposits	7,770,038	438,635	56,216
Deferred tax liabilities	2,301,472	1,840,725	1,558,365
Total current liabilities	**605,404,936**	**450,112,589**	**433,080,868**
Employees' end of service benefits	12,540	14,139	16,451
Borrowings and lease liabilities	91,351,050	53,083,439	61,435,936
Negative fair value of derivatives	1,746,968	1,880,089	1,116,554
Trade and other payables	73,535,436	63,895,713	59,684,461
Customer deposits	351,513,382	270,160,082	247,255,273
Islamic customer deposits	76,331,870	52,422,284	57,047,294
Current income tax liabilities	465,714	476,383	400,284
Customer acceptances	10,227,557	7,736,164	6,111,947
Liabilities related to assets classified as held for sale	220,419	444,296	12,668
Total equity and liabilities	**1,121,316,550**	**879,227,317**	**844,293,902**

Consolidated Statement of Comprehensive Income Data

The table below shows the Group's consolidated statement of comprehensive income for the years ended 31 December 2019, 2018 and 2017:

	Year ended 31 December		
	2019	2018	2017
		(AED '000)	
Profit for the year	24,997,515	21,391,085	24,642,337
Other comprehensive (loss)/income for the year[(1)]	(267,256)	(1,697,438)	731,973
Total comprehensive income for the year	**24,730,259**	**19,693,647**	**25,374,310**

(1) Comprising, among other things, net movement in fair value of available for sale investments, of instruments measured at fair value through other comprehensive income and cash flow hedges, actuarial loss on defined benefit plan, foreign currency translation differences and Group's share in other comprehensive income / (loss) of equity accounted investees.

Consolidated Cash Flow Statement Data

The table below shows the Group's consolidated cash flow statement for the years ended 31 December 2019, 2018 and 2017:

	Year ended 31 December		
	2019	2018	2017
		(AED '000)	
Net cash generated from operating activities	76,302,470	22,902,706	37,220,637
Net cash used in investing activities	(48,023,253)	(13,483,467)	(23,993,356)
Net cash used in financing activities	(20,340,095)	(26,536,287)	(9,398,294)
Net increase/(decrease) in cash and cash equivalents	7,939,122	(17,117,048)	3,828,987
Cash and cash equivalents at the beginning of the year	41,206,138	58,323,186	54,494,199
Cash and cash equivalents at the end of the year	**49,145,260**	**41,206,138**	**58,323,186**

OPERATING AND FINANCIAL REVIEW

The following discussion should be read in conjunction with the information included in "*Presentation of Financial and Other Information*", "*Selected Historical Financial Data*" and the Financial Statements, appearing elsewhere in this Base Prospectus.

The following discussion contains forward looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "*Presentation of Financial and Other Information – Cautionary Statement Regarding Forward Looking Statements*" and "*Risk Factors*".

Overview

ICD was established on 3 May 2006 pursuant to *Law No. 11 of 2006 Establishing the Investment Corporation of Dubai*. ICD's mandate is to consolidate and manage the existing portfolio of companies and investments of the Government and to provide strategic oversight to the portfolio by developing and implementing an investment strategy and corporate governance policies for the long-term benefit of Dubai (see "*Description of ICD and the Group – Introduction*" for further detail). ICD is directly and wholly-owned by, and is the principal investment arm of, the Government. ICD's investment portfolio includes a cross-section of Dubai's most recognised and significant companies in sectors which the Government has deemed to be strategic for the continued development and growth of Dubai and the UAE.

For the year ended 31 December 2019, the Group had revenues of AED 228.0 billion, net profit of AED 25 billion and total comprehensive income of AED 24.7 billion. For the year ended 31 December 2018, the Group had revenues of AED 232.4 billion, net profit of AED 21.4 billion and total comprehensive income of AED 19.7 billion. For the year ended 31 December 2017, the Group had revenues of AED 200.9 billion, net profit of AED 24.6 billion and total comprehensive income of AED 25.4 billion.

Factors Affecting Results of Continuing Operations

Acquisitions

ICD engages, from time to time, in new investment activities. As a result, year-on-year comparisons of the Group's financial statements may not be representative of the Group's underlying financial performance. Key acquisitions made by ICD since 1 January 2017 are described below.

Each of these investments and acquisitions has been reflected in the Financial Statements from its date of completion. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control of the relevant company, and continue to be consolidated until the date when such control of the relevant company ceases. The financial statements of the acquired subsidiaries are prepared for the same reporting period as ICD, which are then consolidated following the Group's accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. For discontinued operations, comparative information on the consolidated statement of income is reclassified for the immediately preceding period.

Year ended 31 December 2019

- During the year ended 31 December 2019, one of the subsidiaries of the Group completed a transaction with Sberbank of Russia to acquire a 99.85 per cent. ownership interest in DenizBank A.S. ("**DenizBank**") for a consideration of AED 10,015 million. Subsequently , as per the requirements of the Turkish Capital Markets Board for a mandatory tender offer and after exercising squeeze out rights, the Group acquired the remaining 0.15 per cent. of equity in DenizBank. As a result, the Group held 100 per cent. of the equity in DenizBank as at 31 December 2019 (which it continues to hold as at the date of this Base Prospectus).

- Dubai Aerospace Enterprise (DAE) Limited ("**DAE**"), a subsidiary of ICD, repurchased certain ordinary shares held by Emaar Properties PJSC, a non-controlling shareholder of DAE and an associate of the Group. Consequently, DAE was 100 per cent. owned by the Group as at 31 December 2019. As a result, AED 550.4 million of non-controlling interests acquired by the Group were transferred from ‘non-controlling interests’ to ‘equity attributable to the equity holder of ICD’ and classified as ‘change in Group’s ownership in existing subsidiaries’ in the consolidated statement of changes in equity.

For further information, see note 9 to the 2019 Financial Statements.

Year ended 31 December 2018

- The Group acquired 100 per cent. ownership of Snap Fresh Pty Limited and Qantas Catering Group Limited (together, “**Qantas Catering**”) for a total consideration of AED 401.6 million (comprising a payment of AED 380 million and a deferred consideration of AED 21.6 million). The primary business of Qantas Catering is to prepare in-flight meals mainly for Qantas and a few other airlines and provide airline catering logistics in Australia.

- The Group acquired an additional stake in one of its subsidiaries, Kerzner International Holdings Limited for AED 599.8 million, thus increasing its ownership from 87.69 per cent. to 99.99 per cent. As a result, AED 244.7 million of non-controlling interests acquired by the Group were transferred from “non-controlling interests” to “equity attributable to the equity holder of ICD” and classified as “change in Group’s ownership in existing subsidiaries” in the consolidated statement of changes in equity.

For further information, see note 9 to the 2018 Financial Statements.

Year ended 31 December 2017

- The Group acquired 90 per cent. of the shares in ALEC Engineering & Contracting LLC (“**ALEC**”) for a consideration of AED 1,012 million. The principal activity of ALEC is to engage in engineering and construction contracting.

- The Group acquired 100 per cent. of the shares in Carmel Capital SARL (which then directly owned AWAS Aviation Capital Designated Activity Company (“**AACDAC**”)) for a consideration of AED 8,171 million. In January 2018, Carmel Capital SARL was liquidated and shares of AACDAC were transferred to DAE Holding KFT (a significant subsidiary of DAE). The primary business of DAE Holding KFT and AACDAC (together, “**AWAS**”) is the leasing of commercial aircraft.

- The Group further invested in DAE, increasing its ownership in DAE from 80.53 per cent. to 95.74 per cent. As a result, AED 713.2 million of non-controlling interests acquired by the Group were transferred from “non-controlling interests” to “equity attributable to the equity holder of ICD” and classified as “change in ownership” in the consolidated statement of changes in equity.

For further information, see note 9 to the 2018 Financial Statements.

Principal Portfolio Companies

ICD’s results and operations are primarily dependent on the results and contributions of its principal portfolio companies, which comprise ICD’s subsidiaries and its investments in associates and joint ventures. For summary information regarding ICD’s principal portfolio companies, see “*Description of ICD and the Group – Subsidiaries, Associates and Joint Ventures*”.

The Group has the following four reporting segments:

- *Transportation and related services.* This segment is comprised primarily of the operations of Emirates (which provides commercial air transportation services), dnata (which provides aircraft handling, inflight catering, engineering services and other travel related services), DAE (which provides aircraft leasing and financial services to the global aviation sector, as well as aircraft MRO services) and flydubai (which provides commercial air transportation services).

- *Oil and gas products/services.* This segment is comprised of the operations of ENOC (whose principal activities include upstream oil and gas production, midstream refining and downstream marketing and retailing of oil and gas).

- *Banking and other financial services.* This segment is comprised of subsidiaries and associates with banking operations (primarily Commercial Bank of Dubai PSC ("**CBD**"), DIB and ENBD), investment operations (National Bonds Corporation PJSC ("**National Bonds**")) and Borse Dubai Limited ("**Borse Dubai**") (which holds and administers interests in the financial exchange sector, specifically, the DFM and Nasdaq Dubai Limited).

- *Others.* This segment is comprised of entities that operate in the industrial manufacturing, retail trade, real estate and construction, hospitality and leisure and other sectors.

  The industrial manufacturing sector is comprised primarily of the operations of EGA (which owns the aluminium smelter companies, DUBAL and EMAL) and DUCAB (which manufactures and sells cables, copper and aluminium wire).

  The retail trade sector is comprised primarily of the operations of Aswaaq LLC (which owns and operates supermarkets and provides retail services) and Dubai Duty Free Corporation ("**DDF**") (which provides duty free retail services at Dubai's airports).

  The real estate and construction sector is primarily comprised of Emaar Properties, Ithra Dubai, the operations of Dubai Airport Freezone Authority ("**DAFZA**") (which is a freezone authority primarily relating to the aviation industry), the operations of Dubai Silicon Oasis Authority ("**DSO**") (which is a freezone authority primarily relating to the technology services sector), ICD Brookfield Place, Cleveland Bridge & Engineering Middle East (Private) Limited (which designs, manufactures and installs structural steelwork), ALEC Contracting (which engages in engineering and construction) and Ssangyong Engineering & Construction Co., Ltd ("**Ssangyong**") (which engages in engineering and construction).

  The hospitality and leisure sector is primarily comprised of hotels such as Atlantis the Palm Dubai, W Hotel Washington, Mandarin Oriental New York, DWTC (which owns and operates the Dubai World Trade Centre), Porto Montenegro and KIHL.

  The 'other' sector is primarily comprised of the D-Clear Europe Ltd ("**D-Clear**") (which provides transaction lifecycle software and data management services), emaratech (emarat technology solutions) FZ-LLC ("**Emaratech**") (which provides information technology services), ISS Global Forwarding Company LLC (provides supply chain logistics services) and Imdaad (which provides integrated facilities and waste management solutions).

Capital

Capital represents the permanent capital provided by the Government and subsequent contributions in cash or in kind made by the Government less returns made by ICD in cash or in kind. The following table sets forth movements in the capital of ICD for the reporting periods indicated:

	Year ended 31 December		
	2019	**2018**	**2017**
		(AED '000)	
Balance at the beginning of the year	64,569,417	64,530,179	65,329,584
Increase in capital during the year	3,615,763	39,238	(799,405)
	68,185,180	**64,569,417**	**64,530,179**

The increase in capital of AED 3.6 billion in 2019 resulted from a capital contribution of the Government which was used towards subscription in shares of ENBD pursuant to its rights issue.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions, if any, will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts. See also "*Relationship with the Government – Funding, Support and Oversight from the Government*".

Foreign Currency Translation

The Financial Statements are presented in AED, which is ICD's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each such entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded using the exchange rate of the functional currency prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted using the exchange rate of the functional currency prevailing at the reporting date. All foreign exchange differences pursuant to such conversion are recognised in the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rates prevailing as at the dates of the initial transactions. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is also recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the consolidated income statement, any exchange component of that gain or loss is also recognised in the consolidated income statement. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the reporting date using the closing exchange rate of that day.

Where the functional currency of a foreign operation is not AED, the assets and liabilities of such subsidiary are converted into AED using the rate of exchange prevailing as at the reporting date and its income statement is converted at the average exchange rate for the relevant period. The exchange rate differences arising on such conversion are recognised under a separate component of equity (i.e. the "Translation Reserve" under "Other Reserves") through the consolidated statement of comprehensive income. On disposal of a foreign entity, the cumulative unrealised amount of such exchange rate differences recognised in equity relating to this foreign entity is treated as realised and recognised in the consolidated income statement.

Historical Results of Operations

The following table sets forth the Group's consolidated income statement for the reporting periods indicated:

	Year ended 31 December		
	2019	**2018**	**2017**
		(AED '000)	
Revenues	228,011,030	232,434,776	200,930,601
Cost of revenues	(181,205,566)	(195,475,149)	(162,466,001)
Other operating income	5,901,828	4,564,736	5,043,972[(1)]
Net (loss)/gain from derivative instruments	(1,756,384)	1,009,152	(412,286)
General, administrative and other expenses	(20,592,628)	(19,860,064)	(17,833,237)
Net impairment losses on financial assets	(5,091,749)	(2,080,467)	(2,229,650)
Operating Profit	**25,266,531**	**20,592,984**	**23,033,399**
Other finance income	1,769,523	2,154,278	1,683,510
Other finance costs	(9,735,495)	(5,967,870)	(4,647,861)
Share of results of associates and joint ventures - net	3,825,721	4,727,224	5,059,384
Other income	4,797,573	771,427	58,372[(2)]
Profit for the year before income tax	**25,923,853**	**22,278,043**	**25,186,804**
Income tax expense – net	(926,338)	(886,958)	(544,467)
Profit for the year	**24,997,515**	**21,391,085**	**24,642,337**

Note:

(1) The other operating income for the year ended 31 December 2017 is computed as other income less net gain on disposal of investment in subsidiaries, associates and joint ventures, extracted from the unaudited comparative column of the 2018 Financial Statements to conform to the presentation used in the 2019 Financial Statements.

(2) The other income for the year ended 31 December 2017 denotes the net gain on disposal of investment in subsidiaries, associates and joint ventures, extracted from the unaudited comparative column of the 2018 Financial Statements to conform to the presentation used in the 2019 Financial Statements.

Revenue

The following table sets forth the components of the Group's revenue in respect of each of its reporting segments for the reporting periods indicated:

	Year ended 31 December		
	2019	**2018**	**2017**
		(AED '000)	
Transportation and related services	115,577,428	116,974,649*	105,413,553
Oil and gas products/services	54,289,588	69,838,329	54,908,833
Banking and other financial services	34,120,848	24,058,832	20,546,566
Others	24,023,166	21,562,966	20,061,649
Total	**228,011,030**	**232,434,776**	**200,930,601**

Note:

* The comparative figures for the year ended 31 December 2018 are extracted or derived from the unaudited comparative column of the 2019 Financial Statements to conform to the presentation used in the 2019 Financial Statements.

For a discussion of the Group's revenue recognition policies, see note 2.4 to the 2019 Financial Statements.

Major segments contributing to the Group's revenues are transportation and related services (50.7 per cent., 50.3 per cent. and 52.5 per cent. of the Group's revenue for the years ended 31 December 2019, 2018 and 2017, respectively) and oil and gas products/services (23.8 per cent., 30.0 per cent. and 27.3 per cent. of the Group's revenue for the years ended 31 December 2019, 2018 and 2017, respectively).

The Group's revenue for the year ended 31 December 2019 was AED 228.0 billion as compared to revenue of AED 232.4 billion for the year ended 31 December 2018, which represents a decrease of 1.9 per cent., or AED 4.4 billion. The decrease in revenue primarily reflects a decline in revenue from oil and gas products and services due to lower oil prices and sales volumes.

The Group's revenue for the year ended 31 December 2018 was AED 232.4 billion as compared to revenue of AED 200.9 billion for the year ended 31 December 2017, which represents an increase of 15.7 per cent., or AED 31.5 billion. This increase mainly reflects an increase in revenues from the transportation and related services and oil and gas products and services. The revenues from transportation and related services increased primarily due to the strong performance of Emirates cargo division and the growth in passenger and airfreight traffic, whereas revenues from oil and gas products and services increased mainly due to a combination of increases in sales volume and the average price of crude oil. The revenues for the year ended 31 December 2018 also included the full year performance of AWAS, whereas the revenue for the year ended 31 December 2017 only included a few months of contribution by AWAS, more particularly from 17 August 2017 onwards.

Other operating income

Other operating income principally includes: net gain on sale of investment securities; liquidated damages; vendors' support fee income; net changes in fair value of investments measured at fair value; dividend income from marketable securities; gain on sale and leaseback of aircraft; certain reversals of provisions and gains on disposal of property, plant and equipment, investment properties and intangible assets.

The Group's other operating income for the year ended 31 December 2019 was AED 5.9 billion as compared to AED 4.6 billion for the year ended 31 December 2018, which represents an increase of 29.3 per cent., or AED 1.3 billion. This increase mainly represents the foreign exchange activity in ENBD and the first five months contribution by DenizBank which were consolidated with that of the Group's operating income following the completion of the acquisition of DenizBank towards the end of July 2019.

The Group's other operating income for the year ended 31 December 2018 was AED 4.6 billion as compared to other operating income of AED 5 billion for the year ended 31 December 2017, which represents a decrease of 9.5 per cent., or AED 0.5 billion. This decrease was primarily attributable to unfavourable foreign exchange movement in Emirates due to the strengthening of USD against other major currencies.

General, administrative and other expenses

General, administrative and other expenses principally include staff costs, sales and marketing expenses, depreciation, impairment and amortisation expenses, repair and maintenance expenses, office and equipment rentals and other expenses.

The Group's general, administrative and other expenses for the year ended 31 December 2019 were AED 20.6 billion as compared to general, administrative and other expenses of AED 19.9 billion for the year ended 31 December 2018, which represents an increase of 3.7 per cent., or AED 0.7 billion. This increase was mainly attributable to the banking and other financial services segment as ENBD continued its technology transformation and the expenses of DenizBank for the first five months were consolidated with that of the Group's expenses following the completion of the acquisition of DenizBank towards the end of July 2019.

The Group's general, administrative and other expenses for the year ended 31 December 2018 were AED 19.9 billion as compared to general, administrative and other expenses of AED 17.8 billion for the year ended 31 December 2017, which represents an increase of 11.4 per cent., or AED 2.0 billion. This increase was primarily incurred to support general business growth requirements and strategic technology transformation initiatives.

Net impairment losses on financial assets

Net impairment losses on financial assets includes impairment losses on loans and receivables; trade and other receivables; available-for-sale investments; investments in associates and joint ventures; Islamic financing and investment products; and other financial assets; reduced by reversals of impairment provisions.

The Group's net impairment losses on financial assets for the year ended 31 December 2019 were AED 5.1 billion as compared to AED 2.1 billion for the year ended 31 December 2018, which represents an increase of 144.7 per cent., or AED 3 billion. This increase was primarily due to AED 2.7 billion higher impairments on loans and receivables (net of recoveries) and AED 0.3 billion higher impairments on Islamic financing and investment products (net of recoveries) from banking operations of ENBD, which included AED 1.5 billion of charges resulting from consolidation of DenizBank.

The Group's net impairment losses on financial assets for the year ended 31 December 2018 were AED 2.1 billion as compared to AED 2.2 billion for the year ended 31 December 2017, which represents a decrease of 6.7 per cent., or AED 0.1 billion. This decrease was mainly due to recoveries from legacy loans in ENBD.

Other income

Other income principally includes gains on bargain purchases and gains/losses on disposal of subsidiaries, associates and joint ventures' etc., which are non-operating in nature.

The Group's other income for the year ended 31 December 2019 was AED 4.8 billion as compared to AED 0.8 billion for the year ended 31 December 2018, which represents an increase of 521.9 per cent., or AED 4 billion. This increase was primarily attributable to the non-recurring nature of the AED 4.4 billion gain on the partial disposal of Network International Holdings Plc, and the fair value measurement of its remaining stake.

The Group's other income for the year ended 31 December 2018 was AED 0.8 billion as compared to AED 0.06 billion for the year ended 31 December 2017, which represents an increase of 1,221.6 per cent., or AED 0.7 billion. This increase mainly represents disposal of investment stakes in associates and joint ventures.

Income tax expense

A significant part of the Group's operations are carried out within the UAE and presently the Group's operations in the UAE are not subject to corporation tax. The primary contributors to the Group's tax expenses (AED 0.9 billion, AED 0.9 billion and AED 0.5 billion for the years ended 31 December 2019, 2018 and 2017, respectively) are the Group's operations in Turkey, Turkmenistan, Egypt, the Kingdom of Saudi Arabia and Singapore. Although the Group has operations in a number of other tax jurisdictions, it has secured tax exemptions by virtue of double taxation avoidance agreements and reciprocal arrangements in most such jurisdictions. As a result, the Group's income tax expenses relate only to certain overseas subsidiaries and operations that are subject to income tax.

Profit for the year

The Group recorded a profit of AED 25.0 billion for the year ended 31 December 2019 compared to a profit of AED 21.4 billion for the year ended 31 December 2018, which represents an increase of 16.9 per cent., or AED 3.6 billion. This growth in profit was primarily due to the increased contribution from the banking and other financial services segment and strong performance of the transportation and other related services segment. These increases were offset by lower contributions from oil and gas and aluminium production.

The results of the banking and other financial services segment benefited from an AED 4.4 billion gain on the partial disposal of Network International Holdings Plc, and the fair value measurement of its remaining stake. The results of the transportation and related services segment were supported considerably by lower fuel costs during the year.

The Group made a profit of AED 21.4 billion for the year ended 31 December 2018 as compared to a profit of AED 24.6 billion for the year ended 31 December 2017, which represents a decrease of 13.2 per cent., or AED 3.3 billion. This decrease was primarily driven by the impact of higher fuel and commodity input prices.

In addition to the above factors:

For the years ended 31 December 2019 and 2018

The Group's net share of results of associates and joint ventures decreased by 19.1 per cent. to AED 3.8 billion in the year ended 31 December 2019 from AED 4.7 billion in the year ended 31 December 2018, primarily due to the reduced profit share of EGA as a result of lower aluminium prices.

The Group's other finance costs increased by 63.1 per cent. to AED 9.7 billion in the year ended 31 December 2019 from AED 6.0 billion in the year ended 31 December 2018, primarily due to a higher level of borrowings.

For the years ended 31 December 2018 and 2017

The Group's net share of results of associates and joint ventures decreased by 6.6 per cent. to AED 4.7 billion in the year ended 31 December 2018 from AED 5.1 billion in the year ended 31 December 2017, primarily due to the increase of commodity input prices in the aluminium production of EGA.

The Group's other finance costs were AED 6.0 billion and AED 4.6 billion in the years ended 31 December 2018 and 2017 respectively.

Liquidity and Borrowings

Cash Flow

The following table sets forth components of the Group's consolidated cash flow statement for the reporting periods indicated:

	Year ended 31 December		
	2019	**2018**	**2017**
		(AED'000)	
Net cash from operating activities	76,302,470	22,902,706	37,220,637
Net cash from /(used in) investing activities	(48,023,253)	(13,483,467)	(23,993,356)
Net cash (used in)/ from financing activities	(20,340,095)	(26,536,287)	(9,398,294)
Net increase/(decrease) in cash and cash equivalents	7,939,122	(17,117,048)	3,828,987
Cash and cash equivalents at the beginning of the year	41,206,138	58,323,186	54,494,199
Cash and cash equivalents at the end of the year	**49,145,260**	**41,206,138**	**58,323,186**

Net cash from operating activities.

Net cash from operating activities for the year ended 31 December 2019 was AED 76.3 billion, which represents an increase of AED 53.4 billion or 233.2 per cent. as compared to net cash from operating activities of AED 22.9 billion for the year ended 31 December 2018, which was a decrease of AED 14.3 billion or 38.5 per cent. as compared to net cash from operating activities of AED 37.2 billion for the year ended 31 December 2017.

Net cash from/(used in) investing activities.

Net cash used in investing activities for the year ended 31 December 2019 was AED 48.0 billion, which represents an increase of AED 34.5 billion or 256.2 per cent. as compared to net cash used in investing activities of AED 13.5 billion for the year ended 31 December 2018, which was a decrease of AED 10.5 billion or 43.8 per cent. as compared to net cash used in investing activities of AED 24 billion for the year ended 31 December 2017.

Net cash (used in)/from financing activities.

Net cash used in financing activities for the year ended 31 December 2019 was AED 20.3 billion, which represents a decrease of AED 6.2 billion or 23.3 per cent. as compared to net cash used in financing activities of AED 26.5 billion for the year ended 31 December 2018, which was an increase of AED 17.1 billion or 182.4 per cent. as compared to net cash used in financing activities of AED 9.4 billion for the year ended 31 December 2017.

Cash and cash equivalents at the end of the year

During the year ended 31 December 2019, cash and cash equivalents increased by AED 7.9 billion, or 19.3 per cent., to AED 49.1 billion from AED 41.2 billion for the year ended 31 December 2018. During the year ended 31 December 2018, cash and cash equivalents decreased by AED 17.1 billion, or 29.3 per cent., to AED 41.2 billion from AED 58.3 billion for the year ended 31 December 2017.

Material Indebtedness

The Group recognises borrowings at fair value (net of transaction costs incurred) at inception and subsequently at amortised cost.

The following is a summary of the Group's outstanding material indebtedness as at 31 December 2019 from the Group's non-banking operations:

- Conventional syndicated facilities of AED 3,767,555 thousand, repayable over the period up to 2025 (2018: AED 2,554,125 thousand repayable in 2023) and carrying a margin over LIBOR;

- Ijara syndicated facilities of AED 1,741,287 thousand, repayable over the period up to 2025 (2018: AED 1,286,250 thousand repayable in 2023) and carrying a margin over LIBOR;

- Eurobonds and sukuk denominated in U.S. dollars, AED and Korean Won amounting to AED 29,808,327 thousand repayable over the period up to 2028;

- Bilateral facilities of AED 1,837,100 thousand (2018: AED 3,674,500 thousand), repayable over the period up to 2022 and carrying a margin over EIBOR and LIBOR;

- Secured borrowing facilities of AED 9,674,526 thousand (2018: AED 9,846,432 thousand), repayable over the period up to 2026 and carrying a margin over EIBOR and LIBOR;

- Murabaha and credit facility of AED 4,579,181 thousand (2018: AED 3,413,075 thousand), repayable over the period up to 2033. The facilities consists of AED 373,872 thousand (2018: AED 303,463 thousand) carrying a fixed profit rate and AED 4,205,309 thousand (2018: AED 3,109,612 thousand) carrying a margin over LIBOR;

- Term loan facilities of AED 19,871,905 thousand repayable from one to 11 years (2018: AED 23,018,533 thousand repayable from one to 12 years), with principal repayment either in instalments or as a balloon payment at the end of the term of the facility. The facilities consist of AED 7,641,825 thousand (2018: AED 10,568,529 thousand) carrying a fixed rate of interest and AED 12,230,080 thousand (2018: AED 12,450,004 thousand) carrying a margin over LIBOR, EIBOR or mid-swap;

- Term loan facility from the Ministry of Finance of the UAE of AED 9,187,500 thousand (2018: AED 9,187,500 thousand), repayable in 2020 and carrying a margin over EIBOR;

- Term loan facility of AED 2,032,732 thousand repayable over the period up to 2030 (2018: AED 1,441,571 thousand). The facility consists of AED 841,366 thousand (2018: AED 720,785 thousand) carrying a fixed rate of interest and AED 1,191,366 thousand (2018: AED 720,786 thousand) carrying a margin over LIBOR;

- Term loan facility of AED 50,523,953 thousand, repayable over the period up to 2031 (2018: AED 9,989,508 thousand repayable over the period up to 2029). The facility consists of AED 13,683,332 thousand (2018: AED 2,264,689 thousand) carrying a fixed rate of interest and AED 36,840,621 thousand (2018: AED 7,724,819 thousand) carrying a margin over EIBOR and LIBOR;

- Wakala deposit of AED 955,782 thousand (2018: AED 955,782 thousand) from Department of Finance of the Government, carrying a fixed rate of profit. Subsequent to the year ended 31 December 2019, the Group exercised its one-year option and extended the maturity date to 31 December 2020;

- Murabaha facility of AED 3,528,000 thousand (2018: AED 3,528,000 thousand) repayable over the period up to 2021 and carrying a margin over LIBOR;

- Murabaha facility of AED 750,000 thousand (2018: AED 750,000 thousand) repayable in 2021 and carrying a margin over EIBOR;

- Term loan facility of AED 534,632 thousand (2018: AED 531,170 thousand) repayable in 2022 and carrying a margin over LIBOR;

- Syndicated loan facility of AED 720,000 thousand (2018: AED 477,000 thousand) repayable over the period up to 2026 and carrying a margin over EIBOR;

- Islamic and conventional syndicated facilities of AED 1,691,345 thousand (2018: AED 1,228,697 thousand), repayable over the period up to 2025 and carrying a margin over LIBOR and EIBOR;

- Islamic and conventional syndicated facilities, and Wakala facilities of AED 1,422,850 thousand (2018: Islamic syndicated facility of AED 62,933 thousand), repayable over the period up to 2028 and carrying a margin over LIBOR and EIBOR;

- Term loan facility of AED 468,195 thousand, repayable over the period up to 2026 (2018: AED 477,750 thousand which were fully repaid in 2019) and carrying a fixed rate of interest; and

- Lease liabilities amounting to AED 62,356,970 thousand primarily arising from aviation operations.

The following is a summary of the Group's outstanding material indebtedness as at 31 December 2019 from the Group's banking operations:

- Eurobonds under the medium-term note programme amounting to AED 41,075,715 thousand as at 31 December 2019 (2018: AED 32,359,770 thousand) repayable over the period up to 2048;

- Term loans from banks of AED 7,323,475 thousand as at 31 December 2019 (2018: AED 7,311,043 thousand) repayable over the period up to 2021;

- Borrowings raised from loan securitisations in the amount of AED 918,125 thousand as at 31 December 2019 (2018: AED 1,044,417 thousand) repayable over the period up to 2022;

- Demand and call deposits due to banks totalling AED 2,543,717 thousand as at 31 December 2019 (2018: AED 2,277,365 thousand);

- Balances with correspondent banks in the amount of AED 2,250,185 thousand as at 31 December 2019 (2018: AED 1,611,125 thousand);

- Repurchase agreements with banks amounting to AED 501,000 thousand as at 31 December 2019 (2018: AED 235,706 thousand);

- Time and other deposits due to banks amounting to AED 36,420,397 thousand as at 31 December 2019 (2018: AED 18,215,472 thousand);

- Lease liabilities amounting to AED 927,430 thousand as at 31 December 2019 primarily arising from the Bank; and

- Sukuk payables of AED 3,679,921 thousand as at 31 December 2019 (2018: AED 3,685,160 thousand) repayable over the period up to 2021.

As at 31 December 2019, ICD had outstanding bank indebtedness and borrowings under its euro medium term note programme (the "**EMTN Programme**") and its trust certificate issuance programme (the "**Sukuk Programme**") of AED 17.7 billion (at the ICD level only). The Government has not provided any guarantees and does not have any other contingent liabilities in respect of this indebtedness.

As at 30 June 2020, ICD's outstanding bank indebtedness and borrowings under the EMTN Programme and the Sukuk Programme that is due to mature in 2020, 2021, 2022 and 2023 was nil, AED 2.2 billion, AED 1.1 billion and AED 4.4 billion respectively.

Related Party Transactions

Related parties include the owner, associates, joint ventures, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management of individual Group subsidiaries.

The Group enters into transactions with Government-owned entities in the normal course of business. Such entities include various utility companies, port authorities, etc. In accordance with the exemption available in IAS 24, the Group does not disclose transactions which are entered in the normal course of business with such related Government entities.

Transactions with related parties included in the consolidated income statement for the reporting periods indicated:

	Year ended 31 December 2019			
	Purchase of goods and services (including cost of revenue)	Sale of goods and services (including revenue)	Other finance income	Other finance costs
	(*AED'000*)			
Associates and joint ventures	3,762,698	3,000,227	560,926	434,733
Government, Ministry of Finance and other related parties	104,340	659,047	341,336	479,221

	Year ended 31 December 2018			
	Purchase of goods and services (including cost of revenue)	Sale of goods and services (including revenue)	Other finance income	Other finance costs
	(AED'000)			
Associates and joint ventures............................	3,946,879	2,752,306	529,613	491,334
Government, Ministry of Finance and other related parties...	101,656	659,162*	412,788	374,194

Note:

* The comparative figures for the year ended 31 December 2018 are extracted or derived from the unaudited comparative column of the 2019 Financial Statements to conform to the presentation used in the 2019 Financial Statements.

	Year ended 31 December 2017			
	Purchase of goods and services (including cost of revenue)	Sale of goods and services (including revenue)	Other finance income	Other finance costs
	(AED'000)			
Associates and joint ventures...........................	3,314,534	2,532,919	588,999	378,311
Government, Ministry of Finance and other related parties..	69,291	1,094,114	387,921	335,237

Amounts from and due to related parties as at the reporting dates indicated:

	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
	(AED '000)					
Associates and joint ventures.............	21,611,365	14,544,754	22,220,093*	12,354,929	26,511,389	12,802,882
Government, Ministry of Finance and other related parties.........................	7,710,279	15,704,033	11,965,778*	13,762,309	13,992,712	13,889,732
	29,321,644	**30,248,787**	**34,185,871***	**26,117,238**	**40,504,101**	**26,692,614**

Note:

* The comparative figures for the year ended 31 December 2018 are extracted or derived from the unaudited comparative column of the 2019 Financial Statements to conform to the presentation used in the 2019 Financial Statements.

In addition to the amounts included above, an amount of AED 160,753,924 thousand as at 31 December 2019 (with AED 150,218,137 thousand as at 31 December 2018 and AED 139,581,859 thousand as at 31 December 2017) in the form of loans and receivables was provided by ENBD and its subsidiaries (together defined as the "**Bank**") to the Government on normal commercial terms.

Off-Balance Sheet Arrangements

The Group has certain material off-balance sheet arrangements that may have a material current or future effect on its financial condition, revenue, expenses, results of operations, liquidity, capital expenditure or capital resources.

Investment commitments

The Group had the following investment commitments as at the reporting dates indicated:

	As at 31 December		
	2019	2018	2017
	(AED '000)		
Investment Securities...	138,681	134,789	189,571
Investment commitments in associates..	718,476	719,206	720,448
	857,157	**853,995**	**910,019**

Capital commitments

The Group's capital expenditure contracted for or estimated but not provided for as at the reporting dates indicated were:

	As at 31 December		
	2019	2018	2017
Capital commitments for purchase of aircrafts		*(AED '000)*	
Within one year	14,401,008	9,402,411	21,162,657
After one year but not more than five years	108,804,309	120,147,578	82,365,532
More than five years	143,485,995	177,095,431	221,270,022
Total	**266,691,312**	**306,645,420**	**324,798,211**
Contracted commitment in relation to other non-financial assets	12,816,107	17,824,724	21,039,694
Group's share of associate and joint ventures capital expenditure commitments	6,390,272	6,220,131	9,571,427
	285,897,691	**330,690,275**	**355,409,332**

Contingencies

The Group had the following contingent liabilities as at the reporting dates indicated:

	As at 31 December		
	2019	2018	2017
		(AED '000)	
Letters of credit	14,923,938	13,798,684	14,358,163
Financial guarantees	67,602,921	50,663,968	49,293,722
Liabilities on risk participation	175,090	593,804	1,161,869
Performance bonds	6,333,800	5,635,595	5,630,525
Group's share of financial guarantees issued by associates and joint ventures	9,653,225	9,044,104	8,125,586
Group's share of letters of credit issued by associates and joint ventures	1,044,488	1,050,379	834,708
Third party claims*	1,014,592	968,272	251,925

* There are various claims against the subsidiaries and equity accounted investees of the Group, which were initiated by their respective contractors, customers and other counterparties in respect of alleged delays in work or non-fulfilment of contractual obligations. Once the relevant assessments of these claims are completed by the relevant subsidiaries and equity accounted investees of the Group, and the amount of potential loss is reasonably estimated, an appropriate adjustment is made to account for any adverse effects on their financial standing. Proper controls and policies to manage such claims are in place, as a result, at reporting date it is believed that any adverse outcome from these claims are remote. Accordingly, no liability is recognised in respect of these contingencies.

One of the Group's subsidiaries has operational commitments related to sales and marketing amounting to AED 2.8 billion as at 31 December 2019, AED 3.1 billion as at 31 December 2018 and AED 3.6 billion as at 31 December 2017.

The Group's banking operations had undrawn loan commitments of AED 53.1 billion outstanding as at 31 December 2019, AED 30.9 billion outstanding at 31 December 2018 and AED 34.0 billion outstanding as at 31 December 2017.

One of the Group's subsidiaries had performance bonds and payment guarantees amounting to AED 62.3 million as at 31 December 2019, AED 1.1 billion as at 31 December 2018 and AED 1.8 billion as at 31 December 2017. The Group carried out a detailed review in order to assess how much of the contingent liabilities would crystallise. It estimated that only AED 3.7 million as at 31 December 2019, AED 3.7 million as at 31 December 2018 and AED 247 million as at 31 December 2017 may crystallise. Accordingly, the Group recorded provisions in the statement of financial position of AED 3.7 million as at 31 December 2019, AED 3.7 million as at 31 December 2018 and AED 247 million as at 31 December 2017. Further, these provisions are subject to debt to equity swap and cash settlement.

In line with IFRS 9, the Bank has adopted the Expected Credit Loss ("**ECL**") approach to determine the extent of future losses associated with risk exposures in its credit portfolio. IFRS 9 adopts a dual measurement approach for determining the ECL. The dual impairment model reflects the present value of all cash shortfalls related to default events, either over the following 12 months or over the expected life of a financial instrument, depending on credit deterioration from inception. The 12 month ECL is applicable to credit exposure in Stage 1 where there is no significant deterioration in credit quality, and the lifetime ECL is the loss allowance computed for credit exposures in Stage 2 and 3. The exposure on a financial instrument is moved to Stage 2 when it experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, while the exposure on a financial instrument is moved to Stage 3 when that exposure is considered to be in default.

As at 31 December 2019, the Bank's ECL on unfunded exposures amounted to AED 439 million in Stage 1 (exposure of AED 111,550 million) and AED 48 million in Stage 2 (exposure of AED 7,841 million).

As at 31 December 2018, the Bank's ECL on unfunded exposures amounted to AED 505 million in Stage 1 (exposure of AED 67,769 million) and AED 21 million in Stage 2 (exposure of AED 5,567 million). Unfunded exposure includes guarantees, standby letters of credit and undrawn loan commitments.

For further information in respect of the Group's commitments and contingencies, including in respect of assets held in a fiduciary capacity, customer acceptances and undrawn loan commitments, see note 35 of the 2019 Financial Statements and note 34 of the 2018 Financial Statements.

Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires the respective management of ICD and its subsidiaries (together the "**Management**") to make certain accounting judgements, estimates and assumptions (for example, in respect of, *inter alia*, classifications of financial assets, fair values of financial instruments, depreciation and ECLs). These judgements, estimates and assumptions affect the application of accounting policies and reported amounts of the Group's assets and liabilities, income and expenses. The Management evaluates these judgements, estimates and assumptions on an ongoing basis on the basis of historical experience and various other factors that the Managements believes to be reasonable at the time such judgements, estimates and assumptions are made. However, future events and their effects cannot be predicted with absolute certainty. Therefore, actual results may differ from these estimates and assumptions under different circumstances or conditions, and such differences may be material to the financial statements. A summary of the Group's significant accounting policies and significant accounting judgements, estimates and assumptions is contained in notes 2.2, 2.4 and 2.5 to the 2019 Financial Statements.

Qualitative Disclosures about Financial Risk Management

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk, each of which is summarised below. ICD manages these risks through a risk management framework under the overall oversight of the Board and the boards of directors of each of ICD's subsidiaries are responsible for the establishment and oversight of the risk management frameworks including the determination and approval of risk appetite of their respective entities, identifying, analysing and managing the risks in the operations of their respective businesses and forming appropriate risk management committees for developing and monitoring risk management policies to mitigate the risks of such businesses within the overall risk management framework of the Group. The Group's risk management framework takes into account the complexity of the Group's business operations and diversity of geographical locations. The Group's risk management framework is not intended to prescribe a specific process for risk management but rather to integrate risk management as a practice into each Group entity's processes and according to each Group entity's specific needs. For a detailed discussion of the Group's financial risk management framework, see note 37 of the 2019 Financial Statements.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to investment securities (primarily bonds), Islamic financing and investment products, loans and receivables, trade and other receivables (including amounts due from related parties), derivative financial instruments, cash at bank, reverse repurchase agreements, customer acceptances, letters of credit, financial guarantees and undrawn loan commitments. The Group's exposure to such credit risk is monitored on an ongoing basis by the management of the respective subsidiaries. The Group's cash is placed with banks of repute.

The Group's approach to credit risk management is based on the foundation of preserving the independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structures in the respective business segments. Standard procedures specific to businesses are set up to manage various risks across different business segments, products and portfolios.

Liquidity Risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due, or that it can only do so at excessive cost. Liquidity risk mainly relates to trade and other payables (including amounts due to related parties), borrowings and lease liabilities, Islamic customer deposits and customer deposits. The objective of liquidity risk management is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation. Each subsidiary is also responsible for managing its liquidity risk. The Group manages its liquidity by:

- setting appropriate liquidity risk management frameworks for short, medium and long-term funding and liquidity management requirements;
- monitoring future cash flows to ensure that requirements can be met;
- maintaining portfolios of assets that can be easily liquidated; and
- maintaining adequate cash reserves and banking facilities.

Market Risk

Market risk is the risk that changes in market factors, such as equity prices, commodity prices, credit spreads, interest or profit rates and foreign currency rates will affect the Group's income, equity or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns. The diverse activities of entities within the Group create exposures to specific market risks that are managed through risk management frameworks appropriate for the inherent business risks. Certain subsidiaries buy and sell derivatives and incur financial liabilities to manage market risks. All such transactions are managed in accordance with the risk framework approved by the board of directors of the relevant entity. Relevant aspects of the Group's market risk framework are as follows:

- subsidiaries of the Group monitor the mix of marketable securities in their investment portfolios. Material investments within a portfolio are managed on an individual basis and all buy and sell decisions are approved by the boards of directors or other appropriate authorities of the respective subsidiaries. For the year ended 31 December 2019, a 5.0 per cent. decrease in equity prices (assuming all other variables, in particular foreign currency rates, remain constant) would have decreased the fair value of the Group's securities by AED 331.2 million as compared to a decrease in the value of the Group's securities of AED 285.8 million for the year ended 31 December 2018 and of AED 383.8 million for the year ended 31 December 2017 under the same scenario;
- subsidiaries which are exposed to price risk on commodities manage their exposure by using commodity derivative instruments. For the year ended 31 December 2019, a 5.0 per cent. decrease in oil prices relating to commodity derivative contracts (assuming that all other variables remain constant) would have decreased the value of the Group's equity by AED 393.2 million as compared to an increase in the value of the Group's equity of AED 11.0 million under the same scenario for the year ended 31 December 2018 and a decrease in the value of the Group's equity of AED 68.6 million under the same scenario for the year ended 31 December 2017;
- certain subsidiaries manage their interest rate risk by entering into interest rate swap contracts; and
- in respect of monetary assets and liabilities denominated in U.S. dollars, there is no material exchange risk involved presently since the dirham is pegged to the U.S. dollar. However, certain transactions and balances of the Group are also denominated in other currencies. The Group closely monitors and proactively manages its foreign currency exposures. Also, the Group monitors its currency rate trends to assess its related impact on assets and liabilities.

RELATIONSHIP WITH THE GOVERNMENT

Introduction

ICD is the principal investment arm of the Government. It was incorporated on 3 May 2006 pursuant to a decree of H.H. The Ruler of Dubai (*Law No. 11 of 2006 Establishing the Investment Corporation of Dubai*). ICD's mandate is to, among other things, consolidate and manage the Government's portfolio of companies and investments. A number of these assets are considered to be strategic investments that are essential platforms for the future growth and long-term success of Dubai.

ICD is wholly-owned by the Government which, pursuant to a decree of H.H. The Ruler of Dubai (*Decree No. 24 of 2020 Reconstituting the Board of Directors of the Investment Corporation of Dubai*), appointed all members of the current Board, as well as the Chief Executive Officer of ICD. The Chairman of the Board is H.H. Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, the Crown Prince of Dubai and Chairman of the Dubai Executive Council. Certain members of the Board include senior officials of the Government (see "*Management*").

Any change to the Government's 100 per cent. ownership in ICD, and any change to the Board, requires a decree issued by H.H. The Ruler of Dubai.

ICD has a strong relationship with the Government, which is described as follows.

ICD's Role in Dubai's Development Strategy

ICD plays a fundamental role in implementing the Government's development strategy for Dubai (in particular, Dubai's economic development strategy) and this forms the basis of ICD's investment strategy (see "*Description of ICD and the Group – Investment Strategy*").

Dubai's Development Strategy

On 4 January 2020, the H.H. The Ruler of Dubai announced the establishment of the Dubai Council, with the objective to map out and oversee Dubai's vision for the next 50 years in the following six strategic growth pillars: (i) the economy; (ii) services for citizens; (iii) governmental development; (iv) infrastructure; (v) justice and security; and (vi) health and knowledge. As part of its mandate, the Dubai Council will oversee the launch of major projects, work on introducing new development sectors, foresee future global opportunities and maintain economic and social governance in Dubai to ensure its global competitiveness, economic leadership and attractiveness. The Dubai Council has approved a development plan with 50 goals in respect of the next five years, which will be announced in due course.

In December 2014, the Government launched the Dubai Plan 2021 (the "**DP 2021**"), which has been designed to drive Dubai towards becoming one of the world's greatest cities, to reinforce its position as a pivotal hub in the global economy as well as the preferred place to live, work and visit for residents and visitors alike and to establish a common framework for the implementation of medium to long-term policies driving Dubai's economic, social and infrastructure development and increasing government efficiency and transparency (see further "*Overview of the United Arab Emirates and the Emirate of Dubai – Strategy of Dubai*").

Dubai's Economic Development

In terms of economic development, the key components of the DP 2021's goals for Dubai are:

- promoting sustainable economic growth that is resilient to disruptive shocks by ensuring such growth is underpinned by a diversified base of economic activity, innovation in business models and increasing productivity of labour and capital; and

- maintaining Dubai's position as one of the top five global centres for trade, logistics, tourism and finance as well as ensuring that Dubai is internationally recognised as a preferred investment destination for foreign capital and the leading financial and trading centre of the Islamic economy.

ICD's Role in Dubai's Economic Development

ICD plays a significant part in enabling the Government to achieve its economic development goals for Dubai. Through its investment operations, ICD contributes to the diversification of Dubai's industries and the promotion of growth within, and synergies across, such industries in order to develop a strong and sustainable multi-sector driven economy and stimulate private sector growth. ICD's contribution in this respect is illustrated principally by the investment portfolio companies which it holds and which span a number of different sectors and industries (namely, financial services, transportation, oil and gas, industrial, real estate and construction, hospitality and leisure, and retail trade), all of which are important to the Government's development strategy for Dubai. Each of these sectors, which the Government has chosen to invest in on a commercial basis (initially directly, and subsequently indirectly after the establishment of ICD), has provided, and is expected to continue to provide, growth opportunities for the Dubai economy. Further, such investments promote economic stability and reduce the Dubai economy's dependence on specific sectors or companies (see also "*Description of ICD and the Group – Business Strengths – Diversified Portfolio of Assets*").

Although ICD has autonomy in the selection of individual projects in which to invest, generally, projects, partnerships and joint ventures that ICD undertakes have regard to the Government's development strategy and are implemented in a commercial and economic manner. In this respect, see also "*Funding, Support and Oversight from the Government – Management Autonomy*" below.

Funding, Support and Oversight from the Government

Contributions from the Government

Upon ICD's incorporation, the Government's portfolio of companies was transferred to ICD from the Dubai Department of Finance's Investment Division, initially consisting of, among others, Emirates Bank International (now Emirates NBD PJSC), Dubai Aluminium (which now forms part of EGA), ENOC, Dubai World Trade Centre Corporation (now Dubai World Trade Centre Authority), Emirates, dnata, DIB and Emaar.

ICD does not automatically receive contributions (monetary or otherwise) from the Government and ICD has not, to date, sought any such contributions from the Government. ICD is self-funding and its requirements are typically met by funds raised by ICD itself through profits generated by and distributions received from its portfolio companies, through proceeds generated by the disposal or divestiture of its holdings or through third party debt financing that it has obtained for its own account. ICD's approach to funding is to be self-sustaining (see "*Description of ICD and the Group – Funding*") and, to date, it has not been necessary for the Government to provide any financial support to ICD.

Accordingly, there is no specific budget to determine the amount of funding ICD receives from (or is required to pay to) the Government. In addition, ICD is not a recipient of the Government's annual general budget allocations and has neither received nor requested any payments, budget allocations or other financial support from the Government.

The Government has, however, from time to time, made monetary and non-monetary contributions, primarily in the form of capital expenditure, strategic growth and acquisition related contributions, company ownership interests (including upon ICD's incorporation) and land grants to support ICD's strategic objectives (see further "*Operating and Financial Review – Factors Affecting Results of Continuing Operations – Capital*" and "*Operating and Financial Review – Factors Affecting Results of Continuing Operations – Government Grants*").

More recently, on 31 March 2020, the Government announced its full support to Emirates and committed to provide an equity injection during the COVID-19 pandemic, given the airline's strategic importance to the Dubai and UAE economy and its key role in positioning Dubai as a major international aviation hub. As at the date of this Base Prospectus, the Government has provided AED 7.3 billion as part of this commitment. Any further support will be subject to the airline's requirements and will depend on the impact and duration of the ongoing COVID-19 situation (*source: DOF EMTN Base Prospectus dated 29 July 2020*).

Government Oversight

ICD is audited annually by the Government's Financial Audit Authority (the "**FAA**"), which audits any company in which the Government owns a 25.0 per cent. or greater stake in accordance with *Dubai Law No. 8 of 2010 Regarding Financial Audit Department*. The audit by GFAD includes:

- *Financial Audit*: ascertaining the extent of compliance and adequacy of ICD's financial operations with applicable laws, systems and procedures;

- *Performance Audit*: review of the efficiency, effectiveness and economy in the execution of tasks and mandated activities set out in ICD's establishment laws, contracts and internal procedures; and

- *Information Systems*: assessing the performance and efficiency of ICD's information technology ("**IT**") department and the adequacy of ICD's IT risk management procedures.

Distributions to the Government

ICD, from time to time, makes distributions of dividends to the Government and any such distributions are decided by the Board after having: (i) considered the best interests of ICD and the Group as a whole; (ii) applied its investment and other income towards, among other things, payment of interest and maturing debt liabilities; and (iii) budgeted for a retention of certain of its income for future investment purposes and for ICD's own general corporate purposes, see "*Risk Factors – Factors that may affect the Guarantor's ability to fulfil its obligations under Notes issued under the Programme – Risks relating to ICD – Risks relating to ICD's relationship with the Government – ICD may be required to make distributions to its owner, the Government*".

ICD may also contribute a portion of the profits it derives from its portfolio companies towards the Government's annual budget, such amount being agreed between ICD and the Government prior to publication of its budget. ICD is under no obligation to make such a contribution. ICD's distributions paid to the Government for the years ended 2019, 2018 and 2017 were AED 4,988 million, AED 6,170 million and AED 4,285 million respectively. The decrease in distributions paid to the Government in 2019 as compared to 2018 was primarily due to lower dividends from Emirates Group.

Management Autonomy

ICD generally maintains autonomy from the Government in the operation of its business and management of its portfolio investments. As in other corporations, the Board has general oversight over all of ICD's activities, whilst day to day operations are managed by ICD's senior management team (see "*Management*"). ICD's investment process is operated entirely through its internal management committees (see "*Description of ICD and the Group – Investment Strategy*").

From time to time, however, the Government may intervene in ICD's operations in order to fulfil particular strategic objectives of the Government. Notably, on 16 June 2011, H.H. The Ruler of Dubai issued *Law No. 11 of 2011 Amending Law No. 14 of 2007 Establishing Dubai Real Estate Corporation*, which divested ICD of its stake in DREC. From the date of issuance of this law, DREC came under the direct control of H.H. The Ruler of Dubai and, accordingly, ceased to be controlled by ICD. This was treated as a return of capital to the Government during 2011 based on the carrying value of such investment at the date of cessation of ICD's control over DREC amounting to AED 160.3 billion. Separately, on 10 August 2015, H.H. The Ruler of Dubai issued *Law No. 24 of 2015 Transferring the Ownership of the Dubai Aviation Corporation to the Investment Corporation of Dubai*, which transferred ownership of flydubai to ICD. In June 2009, the Government provided an AED 4.0 billion capital injection to ENBD by providing funds to ICD to fund ICD's purchase of AED 4.0 billion of mandatory convertible Tier 1 debt securities issued by ENBD. The capital injection was made in order to help ENBD satisfy the regulatory capital requirements of the UAE Central Bank. During 2014, the ownership of the AED 4.0 billion of mandatory convertible Tier 1 debt securities issued by ENBD was transferred outside of the Group in settlement of the associated liabilities. During the year ended 31 December 2019, the Government provided AED 3.6 billion as a capital contribution to ICD which was used towards subscription in shares of ENBD pursuant to its rights issue.

DESCRIPTION OF ICD AND THE GROUP

Introduction

ICD was established on 3 May 2006 pursuant to a decree of H.H. The Ruler of Dubai (*Law No. 11 of 2006 Establishing the Investment Corporation of Dubai*). ICD is directly and wholly-owned by, and is the principal investment arm of, the Government. As per its incorporating decree, ICD's mandate, which is underpinned by an overriding objective of supporting the long-term economic growth of Dubai, is to:

- consolidate and manage the existing portfolio of companies and investments of the Government;
- provide strategic oversight of the portfolio by developing and implementing best practice corporate governance policies and a transparent investment strategy, which takes into consideration opportunities to monetise portfolio assets (for example, through initial public offerings), in order to enhance portfolio returns; and
- efficiently deploy and recycle surplus capital by making new investments, both locally and internationally.

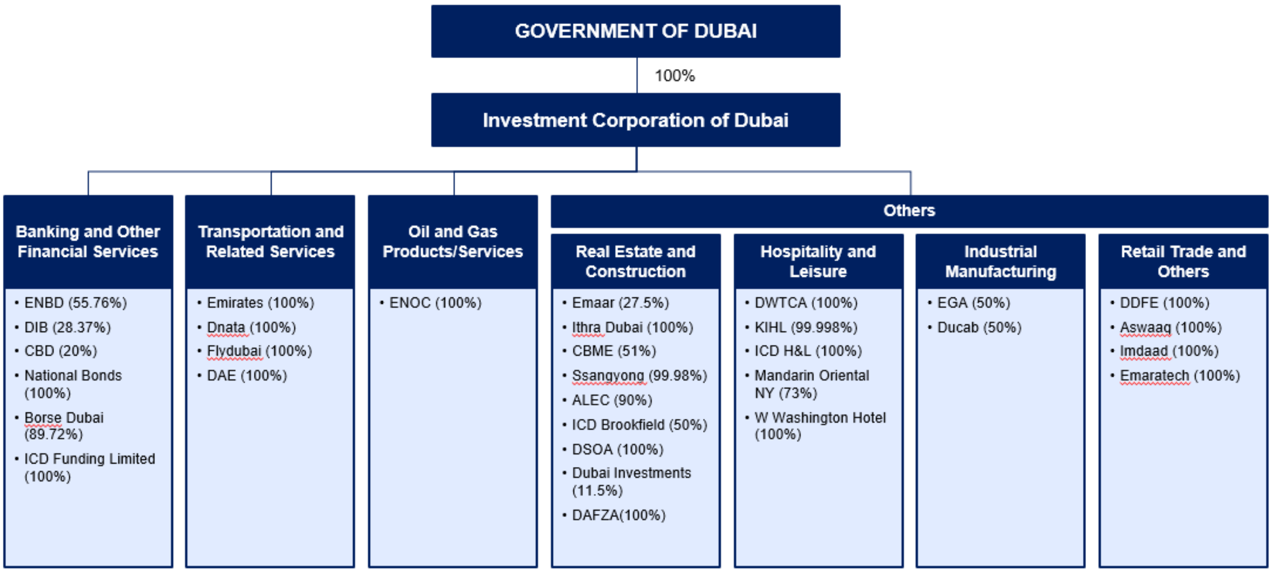
ICD's investment portfolio represents a cross-section of Dubai's most recognised and significant companies in sectors which the Government has deemed to be strategic for the continued development and growth of Dubai and the UAE (see "*– Investment Strategy – Sector Diversity*" and "*– Subsidiaries, Associates and Joint Ventures – Significant Holdings*").

As at 31 December 2019, 31 December 2018, and 31 December 2017 the Group had total assets of AED 1.1 trillion (U.S.$ 305.1 billion), AED 879.2 billion (U.S.$ 239.2 billion) and AED 844.3 billion (U.S.$ 229.7 billion), respectively, with a total equity value of AED 251.6 billion (U.S.$68.5 billion), AED 237.8 billion (U.S.$64.7 billion) and AED 227.5 billion (U.S.$ 61.9 billion), respectively. The Group generated AED 228.0 billion (U.S.$62.0 billion) and AED 25.0 billion (U.S.$6.8 billion) of revenue and net profit, respectively, for the year ended 31 December 2019, and AED 232.4 billion (U.S.$63.2 billion) and AED 21.4 billion (U.S.$5.8 billion) of revenue and net profit, respectively, for the year ended 31 December 2018.

ICD's principal office is at Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, UAE and its telephone number is +971 4 707 1333.

Group Structure

The following chart provides an overview of the corporate structure of the Group and ICD's ownership interests in its principal portfolio companies as at 31 December 2019.



Operating Model

ICD has developed and adheres to a long-term strategy of building and maintaining a diversified portfolio of high-quality, commercially viable, growth-oriented companies with a view to optimising ICD's return on equity and ensuring the continued growth and long-term prosperity of the Dubai economy.

As an investment company, ICD supports the development of strategic portfolio companies where required.

In parallel, ICD as the principal investment arm of the Government also carries out its own investment activities that supplement the strategic activities described above. Whilst ICD has autonomy in the selection of projects in which to invest, these investments are typically aligned with the development strategy of the Government or relate to those investments which provide a degree of diversification away from the strategic portfolio companies to reduce dependence on key sectors.

ICD is self-funding and does not, as a matter of practice, typically receive funding or seek support from the Government. ICD occasionally receives monetary and non-monetary contributions from the Government such as AED 3.6 billion monetary contribution for subscription towards ENBD's rights issue or ownership interests in companies or plots of land related to its subsidiaries' development activities. ICD's principal sources of income are dividends received from all its portfolio companies, profits on exits and supplementary investment returns. ICD also, from time to time, may solicit third party funding to support its activities. ICD monitors and manages its leverage conservatively through objectives set within ICD's investment, risk and governance frameworks.

ICD received AED 4.1 billion (U.S.$1.1 billion), AED 6.9 billion (U.S.$1.9 billion), AED 9.3 billion (U.S.$2.5 billion), and AED 6.7 billion (U.S.$1.8 billion) of dividend distributions from its portfolio companies for the six months period ended 30 June 2020 and for the years ended 31 December 2019, 2018 and 2017, respectively. The decrease in dividend distributions from its portfolio companies in 2019 as compared to 2018 was primarily due to lower dividends from Emirates Group.

ICD's portfolio companies are not generally obliged to declare periodic dividends. However, ICD may, depending on its ownership stake in a particular portfolio company, request such portfolio company to make dividend distributions to ICD in order to meet its funding needs and/or for its general corporate purposes.

However, ICD does not typically provide such directions. See also "*– Business Strengths – Diversified Portfolio of Assets*", "*– Investment Strategy*" and "*– Subsidiaries, Associates and Joint Ventures*" below.

Business Strengths

ICD's Relationship with the Government

ICD has strong relationships with the Government and other Government controlled entities. ICD was incorporated by a decree of H.H. The Ruler of Dubai (*Law No. 11 of 2006 Establishing the Investment Corporation of Dubai*) and mandated as the principal investment arm of the Government to, among other things, consolidate and manage the Government's portfolio of companies and investments. A number of assets in ICD's portfolio are strategic investments that are platforms for the future growth of Dubai and essential for the long-term prosperity of Dubai and the UAE. For further information, see "*Relationship with the Government*" and "*Management*".

Diversified Portfolio of Assets

ICD's current portfolio represents a number of Dubai's largest, most profitable and internationally recognised companies which together provide a high degree of diversification across a number of industries (see "*– Investment Strategy – Sector Diversity*" and "*– Subsidiaries, Associates and Joint Ventures – Significant Holdings*") and which contribute to and sustain ICD's dividend income and portfolio growth (see "*– Operating Model*").

ICD's principal portfolio companies are characterised by:

- *Established track-record and sustainable organic growth*: ICD's portfolio companies have built strong reputations and have established track-records of growing their businesses largely organically. For instance, Emirates increased the size of its fleet from two aircraft in 1985 to 270 aircraft as at 31 March 2020 (*source: Emirates Group Annual Report 2020)*, EGA (DUBAL which now forms part of EGA) grew its smelter capacity from 135 thousand tonnes per annum in 1980 to 2.5 million tonnes per annum by 2019 (*source: EGA)* and Emaar has become the largest publicly listed property developer in the MENA region, having delivered over 62,900 residential units since 2001 (*source: Emaar Q4 2019 Investor Presentation*). Furthermore, many of ICD's portfolio companies, including Emirates, DUBAL (which now forms part of EGA) and Emaar, were established as start-ups by the Government and are commercially self-sustaining, growing organically through expansion funded by their own profits, cash reserves and independently sourced funding from commercial lenders and investors based on each company's standalone creditworthiness;

- *Global competitiveness*: Several of ICD's portfolio companies have developed significant international footprints as a result of offering globally competitive goods and services. For instance, EGA operates two smelting facilities at Jebel Ali and Al Taweelah, which has the capacity to produce more than 2.5 million tonnes of high quality aluminium products per year (*source: EGA)*. This is also the case for portfolio companies that initially focused on developing their presence in the UAE market but have since been increasing their international operations. For example, Emaar's international land bank now includes approximately 1.7 billion square feet in key countries such as Egypt, India, the Kingdom of Saudi Arabia and Turkey (*source: Emaar Properties 2019 Q4 Investor Presentation)* and dnata's business footprint in airport operations, catering and travel services spans across 197 cities and airports around the globe (*source: Emirates Group Annual Report 2020)*;

- *Leading market position*: The industries in which ICD's portfolio companies operate are highly competitive (see "*Risk Factors – Factors that may affect the Guarantor's ability to fulfil its obligations under Notes issued under the Programme –Risks Relating to ICD – Risks relating to ICD's investment activities – The industries in which the Group operates are highly competitive*"). Despite this, several of ICD's portfolio companies are market leaders in their respective industries. For instance, Emirates has capitalised on Dubai's location to develop Dubai into a hub for connecting Europe, Africa and Asia and operates the world's largest fleets of Airbus A380 and Boeing 777 aircraft serving 155 destinations in 81 countries (*source: Emirates Group Annual Report 2020*). Additionally, DDF is the largest single airport retailer operation in the world in terms of turnover with annual sales turnover of U.S.$2.0 billion in 2019 (source: *https://www.dubaidutyfree.com/aboutus*), ENBD is one of the largest banks in the UAE and GCC when measured by asset, loans and deposits and Emaar is the largest publicly listed property developer by market capitalisation in the MENA region (*source: Emaar Q4 2019 Investor Presentation*);

- *Robust profitability*: ICD's portfolio companies have sustainable operations and robust profitability. This is illustrated by ENBD whose net profit for the years ended 31 December 2019 and 2018 and the six month period ended 30 June 2020 totalled AED 14.5 billion (U.S.$3.9 billion), AED 10.0 billion (U.S.$ 2.7 billion) and AED 4.1 billion (U.S.$ 1.1 billion), respectively (*source: ENBD's published financial statements*), Emaar whose net profit for the years ended 31 December 2019 and 2018 and the six month period ended 30 June 2020 totalled AED 8.2 billion (U.S.$ 2.2 billion), AED 9.1 billion (U.S.$2.5 billion) and AED 2.3 billion (U.S.$0.6 billion), respectively (*source: Emaar's published financial statements*), and Emirates which has experienced its 32nd consecutive year of profitability;

- *Strong management*: ICD's portfolio companies benefit from experienced boards of directors and senior management teams, who have contributed to the success and growth of these companies. For instance, the chairman and the chief executive officer of DDF have been with the company for more than 35 years and the eight members of Emirates' senior management team have, together, more than 260 years of experience in the airline industry (*source: http://www.theemiratesgroup.com/english/our-company/leadership/leadership.aspx*); and

- *Diversification*: With asset and net profit contributions from industry leading companies across the banking and financial services, transportation, oil and gas, industrial, real estate and construction, hospitality and leisure, retail and other sectors that include ENBD, DIB, Emirates, ENOC, EGA, Emaar and DDF, ICD's portfolio is diversified and resilient.

Financial Strength and Flexibility

As at 31 December 2019 and 31 December 2018, ICD, on a consolidated basis, had total assets of AED 1.1 trillion (U.S.$305.1 billion) and AED 879.2 billion (U.S.$ 239.2 billion), respectively. ICD generated AED 228.0 billion (U.S.$62.0 billion) and AED 25.0 billion (U.S.$6.8 billion) of revenue and net profit, respectively, for the year ended 31 December 2019 and AED 232.4 billion (U.S.$63.2 billion) and AED 21.4 billion (U.S.$5.8 billion) of revenue and net profit, respectively, for the year ended 31 December 2018.

With its strong base of commercially successful and, in certain cases, globally recognised portfolio companies, access to domestic and international funding and Dubai's open economy, ICD has the flexibility and capability to shape its portfolio for the long-term benefit of Dubai and the Government (see also "*Relationship with the Government – ICD's Role in Dubai's Development Strategy*").

Additionally, given its broad mandate and strategic importance to Dubai, ICD benefits from numerous sources of liquidity, including strong international and domestic banking relationships and, from time to time, income from asset disposals. Furthermore, notwithstanding ICD's general long-term approach to investments (see "*– Investment Strategy*"), ICD has access to a highly liquid portfolio of equity interests (i.e. ICD's interests in its portfolio companies that are publicly held (and whose shares are publicly traded), were valued at approximately AED 49.2 billion (U.S.$13.4 billion) as at 30 June 2020).

See also "*– Subsidiaries, Associates and Joint Ventures – Significant Holdings*" below for a list of the market capitalisations of the major listed companies in ICD's portfolio.

Conservative Consolidated and Standalone Leverage

On a consolidated basis, as at 31 December 2019 and 31 December 2018, ICD had AED 869.7 billion (U.S.$ 236.7 billion) and AED 641.5 billion (U.S.$ 174.5 billion) of total liabilities, respectively. A substantial portion of ICD's consolidated indebtedness is attributable to its banking subsidiaries, in particular, ENBD, which has been incurred, with no recourse to ICD, in the normal course of its commercial banking operations. ICD considers the overall leverage of its banking subsidiaries to be conservative by industry standards. In addition, on a standalone basis, ICD considers its total bank indebtedness and borrowings under the EMTN Programme and the Sukuk Programme to be low relative to its total capitalisation (see also "*Operating and Financial Review – Liquidity and Borrowings – Material Indebtedness*").

Human Capital Resources

As mentioned above, ICD's portfolio companies benefit from experienced boards of directors and senior management teams who have contributed to the success and growth of these companies. In its position as shareholder of such companies, ICD has access to, and may from time to time consult with and acquire strategic advice from, the management teams of its portfolio companies who, collectively, have significant management experience across a wide variety of industries and geographies.

Competitive Environment

ICD's mandate to consolidate and manage the Government's portfolio of companies is unique among Government-owned investment vehicles and ICD does not believe it faces significant competition in carrying out this mandate. However, certain portfolio companies face competition in their specific business areas, both locally in the MENA region and internationally. The nature and extent of this competition, and its effect on the Group as a whole, varies depending on the businesses concerned (see also "*Risk Factors*"). ICD's management believes that the existing sector diversity of its portfolio, as well as its continuing strategy of sector and geographic diversification of the Group's activities, offers a level of protection against, and mitigates, the adverse effects of one or more of its investments facing significant competition in their sphere of operations.

Investment Strategy

In order to support the long-term economic prosperity of Dubai and the objectives of the Government's economic development strategy (see also "*Relationship with the Government*"), ICD's investment strategy is focused on optimising its return on equity and ensuring the continued growth and long-term prosperity of the Dubai economy, principally by:

- enhancing the value of its existing portfolio companies through active portfolio management; and
- efficiently deploying and recycling capital for new investments and acquisitions both locally and internationally.

Active Portfolio Management

ICD's approach to portfolio management comprises the following key elements:

- *Design and implementation of asset level and portfolio investment strategy*: ICD regularly assesses its business strategy and portfolio performance, taking into consideration, in particular, asset, sector and macroeconomic trends upon which it forms, within the framework of its planning and investment process (see "*Planning and Investment Process*" below), a view on its short and long-term investment strategies (at both asset and portfolio levels) and the implementation and management of the same. As part of this process, ICD typically considers, among other things, potential monetisation opportunities to recycle capital (for example through initial public offerings) and new investment opportunities that are either strategic and complementary to existing portfolio assets, or that are conducive to portfolio diversification;
- *Consistent application of best practice governance*: ICD does not typically direct the commercial or operational decisions of its portfolio companies, each of which are managed by their respective management and guided and supervised by their boards of directors. However, in its capacity as a shareholder and as the representative of the Government, ICD does have the ability to actively engage various stakeholders, including the boards and management of its portfolio companies. Shareholder activity is carried out to implement ICD's mandate to supervise and monitor its portfolio companies and any coordination between them. Further, as a shareholder, ICD endeavours to promote efficient and effective corporate governance structures and practices at each of its portfolio companies;

- *Providing strategic advice and assistance to its portfolio companies, where necessary, to support their growth aspirations*: From time to time, ICD provides assistance to its portfolio companies to support their development through the provision of strategic advice on, among other matters, funding, legal affairs, growth planning and, where necessary, the provision of capital;

- *Facilitation of portfolio co-operation and the harnessing of Group synergies*: From time to time, ICD facilitates the implementation of co-operative ventures between its portfolio, or affiliated, companies and exercises its shareholder rights in furtherance of its mandate to supervise and monitor its portfolio companies and coordinate any co-operation between them;

- *Assessment and support of portfolio privatisation initiatives*: ICD's mandate extends to assessing monetisation opportunities of its portfolio companies and investments (in part or in full) through divestitures or disposals. In doing so, ICD regularly reviews portfolio performance and prevailing global, regional and sector-specific (as the case may be) market conditions in order to determine whether monetisation can yield any long-term economic benefits for Dubai;

- *Continued support of local, high growth businesses or opportunities, either through further consolidation of Government-seeded companies or by direct investment*: ICD's portfolio of companies includes a number of internationally recognised market leaders in their respective industries (such as Emirates, EGA and Emaar) which were seeded by the Government and developed domestically over a number of years. ICD is well positioned, both financially and strategically, to continue to seek out and develop investment opportunities in Dubai and the UAE, in particular in high growth segments, that have the potential to become future market leaders; and

- *Efficient deployment of surplus liquidity:* ICD strives to ensure that any surplus liquidity received or held by it (sourced from dividends received from its portfolio companies or otherwise) at any given time is deployed efficiently to optimise its returns and to ensure the timely settlement of its obligations.

Sector Diversity

ICD currently maintains a diversified portfolio with investments in the following sectors, which are of strategic importance to Dubai (for further detail regarding ICD's subsidiaries and other portfolio companies, see "*– Subsidiaries, Associates and Joint Ventures*"):

- *Banking and other financial services*: ICD's exposure to the banking and other financial services sector includes its majority ownership interest in ENBD and Borse Dubai and significant ownership interests in DIB and CBD;

- *Transportation and related services*: ICD's exposure to the transportation sector includes its 100 per cent. ownership interest in Emirates and dnata, 100 per cent. ownership interest in flydubai and 100 per cent. ownership interest in DAE;

- *Oil and Gas*: ICD's exposure to the oil and gas sector is through ENOC and its subsidiaries;

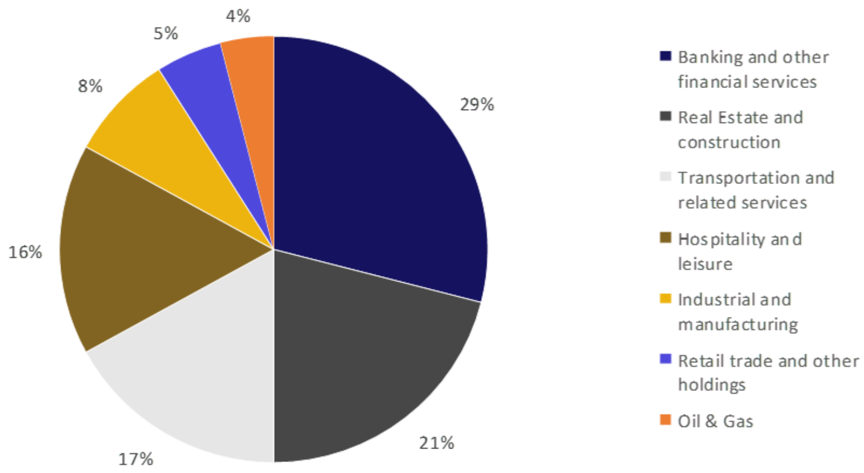
- *Real Estate and Construction*: ICD's exposure to the real estate sector includes its 27.5 per cent. ownership interest in Emaar, 50 per cent. ownership interest in ICD Brookfield Place and 100 per cent. ownership interest in Deira Enrichment Project through DWD Holdings and Ithra. ICD's exposure to the construction sector is through its subsidiary ALEC Contracting LLC and Ssangyong Construction;

- *Industrial manufacturing*: ICD's exposure to the industrial manufacturing sector includes its 50.0 per cent. ownership interests in EGA and DUCAB;

- *Hospitality and Leisure*: ICD's exposure to the hospitality sector is through its 100 per cent. ownership of DWTC and through its subsidiaries ICD H&L, KIHL and other SPVs which hold hotel assets, including a 100 per cent. ownership interest in Atlantis and the W Hotel in Washington ("**WDC**"), a 100 per cent. ownership in One & Only Palmilla Los Cabos Hotel, a 73.0 per cent. ownership interest in Mandarin Oriental New York ("**MONY**"), a 65 per cent ownership in One & Only Capetown South Africa Hotel and a 40.0 per cent. ownership interest in W Bangkok Hotel; and

- *Retail trade and other holdings*: ICD's exposure to the retail sector is primarily through its 100 per cent. ownership of DDF.

The following chart provides a breakdown by sector of ICD's aggregated assets as at 31 December 2019.



The sectors in which ICD is currently invested are not fixed. In determining its ongoing investment strategy, ICD recognises the potential for sector diversification and actively pursues such opportunities. However, ICD also recognises the benefits, in terms of risk management and maximising portfolio synergies, of investing in sectors where it already has a strong presence and, accordingly, where it may have certain competitive advantages.

Geographic Focus

Reflecting the origins of ICD and the long-term strategic importance of its Dubai and UAE based assets and investments, the ICD portfolio is primarily concentrated in the UAE with the majority of ICD's aggregated assets represented by portfolio companies domiciled in the UAE as at 31 December 2019. However, since its inception, ICD has sought, and continues, to seek new investments internationally, illustrated by its acquisitions of approximately 4.2 per cent. ownership interest in Indigo Agriculture, a US-based Ag tech company, a 100 per cent. ownership interest in the One & Only Palmilla, an upscale hotel in Los Cabos, Mexico and a 90 per cent ownership interest in El Maximo Holdings, which owns and operates approximately 39,400 acres of farms in Florida, US. ICD's international investment strategy is unrestricted by geography. ICD's international investment strategy is largely aligned with its general investment focus to invest in either strategic sectors, such as real estate and hospitality, or diversification opportunities, including newer assets classes, such as venture capital, or newer geographies, including international private equity. This is borne out by ICD's recent international investments. (see "*Planning and Investment Process*" below).

Planning and Investment Process

New Investments Criteria

In evaluating new investment opportunities, ICD's investment strategy is underpinned by three key pillars that determine the feasibility of potential investments, namely, that each opportunity:

- should provide either strategic benefits (such as where the relevant opportunity provides strategic synergies with ICD's existing portfolio or is in a sector or market considered to have long-term strategic growth potential) and/or diversification benefits;
- is considered on an entirely commercial basis and is appraised based on the viability of achieving an appropriate long-term risk-adjusted return; and
- is conducive to adequate capital preservation, either commercially or structurally.

ICD's mandate allows it to diversify its existing investments portfolio and deploy capital across any asset class, sector or geography that is aligned to the three key pillars described above. Based on regular assessments of prevailing global and regional economic and financial market conditions, and prospective views on asset class performance, ICD periodically reviews and, if appropriate, revises its capital deployment strategy for new investments (see "– *Approval and Implementation*" below).

In practice, ICD is essentially a long-term investor with a current focus on:

- development and acquisition of strategic commercial, residential and mixed-use real estate and hospitality projects both domestically, aligned to support DP 2021 (see "*ICD's Role in Dubai's Development Strategy – Dubai's Development Strategy*" above) and internationally;
- providing strategic or growth capital to established businesses with dominant market positions and/or operating in fast growing markets; and
- investing in nascent or growth industries and geographies, either directly or alongside partners, including best-in class fund managers.

Within each of these focus areas, ICD seeks to maintain a balance between income generating assets and growth assets.

Approval and Implementation

The Board is responsible for setting the overall investment strategy for ICD, in a manner consistent with that outlined in its incorporating decree. From time to time, ICD's Executive Committee (described further below) will make recommendations to, and seek approval from, the Board to establish guidelines governing asset and capital allocation. Such recommendations typically outline proposals relating to the strategic development of the ICD portfolio, target sectors, geographies, asset classes and new investments. The Executive Committee make such recommendations based on their comprehensive assessment of prevailing and prospective market conditions, utilising both internal and external advice (where necessary) and taking into consideration ICD's overall funding and operating requirements, both short and long-term. The approved guidelines (having been subject to the Board's review, consultation and, where applicable, revision), together with ICD's key overriding 'pillars' governing new investments (see "– *New Investments Criteria*" above), provide a framework to support the successful deployment of capital, congruent with the overall strategic plan and objectives of ICD.

ICD's management structure comprises two main committees, namely the Executive Committee and the Investment Management Committee. In addition, the Risk Management Committee monitors and oversees the development and implementation of the policies and procedures that form the risk framework within which investment strategies are set and in accordance with which investments are executed (see also "*Management – Committees*").

The financial return required by ICD in considering an investment depends on a number of factors, including the amount of capital deployed, the industry sector and the level of risk associated with the investment.

Investment proposals considered by ICD are generated from multiple channels, being originated internally and by its subsidiaries or proposed to ICD by third parties (for example from the Government, joint venture partners and financial intermediaries). The process for assessing and, if applicable, executing proposed investments involves the following phases:

- *Initial Screening*: Opportunities are systematically evaluated against ICD's strategy and financial and commercial investment criteria. Viable opportunities are approved for further review;

- *Preliminary Due Diligence*: Critical elements of the investment are defined (such as valuation, structure, financing, commercial prospects and risks) and an initial investment case is developed. Initial findings are summarised and reviewed by the Investment Management Committee, following which a decision is made to further commit to the investment process or otherwise;

- *Development*: In parallel with the appointment of advisors and the subsequent performance of due diligence (financial, legal and commercial), a detailed investment case business plan (including financing strategy) is developed, a risk assessment is performed and negotiations of indicative terms are commenced with the relevant counterparties;

- *Review and Approval*: Following the completion of detailed due diligence and the valuation review, and subject to successful negotiations with the relevant counterparties, presentations are made to the Executive Committee or the Board, (depending on the amount of funding required) by the sponsoring members of the investment team, outlining the investment case for the proposed opportunity (including key due diligence findings, target returns, exit strategy, post-acquisition management plan and risk mitigation plan) for their consideration and approval. In practice, the review process may require several iterations, involving revisions to proposed deal terms;

- *Completion*: If the investment proposal is successful, final investment approval is given by the Executive Committee or the Board (depending on the amount of funding required) and the investment moves into the implementation phase, involving the finalisation of agreed terms with the relevant counterparties, followed by completion of the relevant legal formalities;

- *Operation*: Following completion, ICD monitors the investment's financial performance against the business model to ensure that expectations are being met. The business plan is updated on at least an annual basis, and key financial and non-financial metrics are updated quarterly and presented to management by way of a progress report; and

- *Exit*: While monitoring the performance of an investment, ICD may consider whether or not to exit the investment and, if so, the appropriate exit options and timing.

Once ICD has executed an investment, the degree of ongoing involvement will vary significantly depending on the nature and size of the investment. In all cases, the progress of the investment is monitored by ICD, for example, to determine if and when the approved parameters change materially, further investment becomes necessary or an exit is considered.

Significant Holdings (including Subsidiaries, Associates and Joint Ventures)

The following table sets out ICD's principal portfolio of listed companies as at 30 June 2020:

	Year founded	Market capitalisation	ICD's ownership	ICD ownership value
		(AED million)[(2)]	*(%)[(1)]*	*(AED million)[(2)]*
Emirates NBD PJSC [(4)]	2007	55,965	55.8	31,205
Emaar Properties PJSC	1997	19,045	27.50	5,565
Dubai Islamic Bank PJSC	1975	27,370	28.37[(5)]	7,067
Commercial Bank of Dubai PSC	1969	10,090	20.0	2,018
Abu Dhabi Commercial Bank PJSC	1985	35,691	2.4	842
Dubai Investments PJSC	1995	4,932	11.5	569
National Bank of Fujairah PSC	1982	9,536	8.7	833
Brookfield Property Partners L.P	2013	40,127	1.1	779
Total[(3)]	—	**225,634**	—	**49,205**

Note:

(1) ICD ownership percentage as at 30 June 2020, except where indicated otherwise.

(2) These values reflect market capitalisation based on Dubai Financial Market/Abu Dhabi Securities Exchange quoted prices as at 30 June 2020.

(3) The total figure is not a consolidation of the Group in accordance with any accounting standards and is simply an aggregation of the individual figures which precede the total.

(4) Upon merger of Emirates Bank International PJS and National Bank of Dubai PJSC.

(5) This reflects ICD's ownership percentage as at 31 December 2019 before the acquisition of Noor Bank PJSC by Dubai Islamic Bank PJSC.

The following table sets out ICD's principal portfolio of unlisted companies as at 31 December 2019, except for Emirates Group (including dnata) which is presented as at 31 March 2020:

	Year founded	Net equity[(5)]	ICD's ownership	ICD's share in net equity[(5)]
		(AED million)	*(%)[(1)]*	*(AED million)*
Emirates Group (including dnata)[(2)]	1985 (Emirates), 1987 (dnata)	31,237	100	31,237
Dubal Holding LLC[(3)]	1979	17,962	100	17,962
Emirates National Oil Company Limited (ENOC) LLC	1993	21,267	100	21,267
Borse Dubai Limited	2007	14,395	89.72	12,915
Dubai World Trade Centre Authority	1979	9,716	100	9,716
Dubai Duty Free Establishment	1983	10,423	100	10,423
Dubai Aerospace Enterprise (DAE) Limited	2006	11,184	100	11,184
Dubai Airport Free Zone Authority	1996	5,865	100	5,865
Dubai Silicon Oasis Authority	2005	4,949	100	4,949
ICD Hospitality and Leisure LLC	2013	4,707	100	4,707
Dubai Cable Company (Private) Limited	1979	2,154	50.0	1,077
Kerzner International Holdings Limited	2006	2,222	99.998	2,222
Emarat Technology Solutions FZ LLC	2003	1,566	100	1,566
One Za'abeel LLC	2008	1,965	100	1,965
Deira Waterfront Development Holdings LLC	2010	2,763	100	2,763
Atlantis The Palm 2 Holdings LLC	2015	1,763	100	1,763
Dubai Aviation Corporation (trading as flydubai)	2008	802	100	802
Total[(4)]	-	115,356	-	112,626

Note:

(1) ICD ownership percentage as at 31 December 2019, except for Emirates Group (including dnata) which is presented as at 31 March 2020.

(2) These figures reflect the net equity attributable to owner based on audited financial statements for the financial year ended 31 March 2020.

(3) Dubal Holding LLC maintains 50.0 per cent. ownership of Emirates Global Aluminium PJSC. Year founded refers to Dubai Aluminium, a predecessor of Emirates Global Aluminium PJSC.

(4) The total figure is not a consolidation of the Group in accordance with any accounting standards and is simply an aggregation of the figures which precede the total.

(5) Attributable to owner.

A description of ICD's key portfolio companies by sector is set out below.

Banking and Other Financial Services

The following is a summary of ICD's banking and other financial services portfolio:

	ICD ownership	Floated	Operating income	Net profit	Total Assets
	(%)(1)	(*Y/N*)	(*AED million*) (3)	(*AED million*) (3)	(*AED million*) (3)
ENBD	55.8	Y	12,628	4,091	694,283
DIB	28.37(4)	Y	4,723	2,118	294,797
ADCB	2.4	Y	6,417	1,436	406,235
CBD	20.0	Y	1,412	530	93,682
NBF	8.7	Y	756	65	44,483
Borse Dubai(2)	89.7	N	—	—	—
National Bonds(2)	100	N	—	—	—

Note:

(1) ICD ownership percentage as at 30 June 2020, except where indicated otherwise.

(2) The company's financial statements are not available to the public.

(3) Total assets as at 30 June 2020 with operating income and net profit for the six month period ended 30 June 2020 (*source: published financial statements of the relevant portfolio companies*).

(4) This reflects ICD's ownership percentage as at 31 December 2019 before the acquisition of Noor Bank PJSC by Dubai Islamic Bank PJSC.

Emirates NBD PJSC

As at the date of this Base Prospectus, ENBD is one of the largest banking entities in the UAE across a range of metrics, including by shareholders' equity, deposits and loans. ENBD is also one of the largest banking entities in the GCC by assets.

As at 30 June 2020, ENBD had AED 694.2 billion (U.S.$188.9 billion) of total assets, a loan portfolio (including Islamic finance receivables) of AED 442.9 billion (U.S.$120.5 billion), a capital adequacy ratio of 18.5 per cent, a net profit for the six month period ended 30 June 2020 of AED 4.1 billion (U.S.$1.1 billion) and declared a dividend during the period of AED 2.5 billion (U.S.$0.7 billion). As at 31 December 2019, ENBD had AED 683.3 billion (U.S.$185.9 billion) of total assets, a loan portfolio (including Islamic finance receivables) of AED 437.4 billion (U.S.$119.0 billion), a net profit for the year ended 31 December 2019 of AED 14.5 billion (U.S.$3.9 billion) and declared a dividend during the year ended 31 December 2019 of AED 2.2 billion (U.S.$0.6 billion). As at 31 December 2018, ENBD had AED 500.3 billion (U.S.$136.1 billion) of total assets, a loan portfolio (including Islamic finance receivables) of AED 327.9 billion (U.S.$89.2 billion), a net profit for the year ended 31 December 2018 of AED10.0 billion (U.S.$2.7 billion) and declared a dividend during the year ended 31 December 2018 of AED 2.2 billion (U.S.$0.6 billion). As at 31 December 2017, ENBD had AED 470.3 billion (U.S.$128.0 billion) of total assets, a loan portfolio (including Islamic finance receivables) of AED 304.1 billion (U.S.$82.7 billion), a net profit for the year ended 31 December 2017 of AED 8.3 billion (U.S.$2.3 billion) and declared a dividend during the year ended 31 December 2017 of AED 2.22 billion (U.S.$0.6 billion) (s*ource: ENBD's published financial statements*). As at 31 December 2018 and 31 December 2019, ENBD represented 56.4 per cent. and 60.5 per cent. respectively of the total assets of the Group. For the years ended 31 December 2018 and 31 December 2019, ENBD contributed 45.7 per cent. and 57.5 per cent., respectively, of the profit before income tax of the Group.

ENBD (including through the operation of its operating subsidiaries) is one of the leading full-service banks in the UAE and has branches in Austria, Bahrain, Egypt, Germany, India, Turkey, Russia, the Kingdom of Saudi Arabia, Singapore and the United Kingdom and representative offices in China and Indonesia. In addition, through its subsidiaries and associates, ENBD offers Islamic banking services, as well as investment banking, property management, asset management, insurance services, credit card facilities and other banking-related services. In October 2011, pursuant to the directions of H.H. The Ruler of Dubai, ENBD acquired a 100 per cent. stake in Dubai Bank. This acquisition was fully supported by the UAE Central Bank and the UAE Ministry of Finance. Following the acquisition, Dubai Bank became a fully-owned Islamic banking subsidiary of ENBD. In April 2012, Dubai Bank and another subsidiary of ENBD, Emirates Islamic Bank ("**EIB**"), announced that they had merged their management teams and established a unified executive committee to manage both banks. During 2012, Dubai Bank's portfolio, customers and branches were migrated to EIB, and the rebranding of the Dubai Bank branches and ATMs to the EIB brand was completed by the end of 2012. Through ENBD's acquisition of DenizBank on 30 July 2019, ENBD acquired the fifth largest private bank in Turkey, with operations in Austria, Bahrain, Germany, Russia and Turkey *(source: ENBD's Prospectus dated 7 July 2020 in respect of USD 750,000,000 Perpetual Additional Tier 1 Capital Securities)*.

ENBD has a significant presence in the UAE retail, corporate and commercial banking markets with over 970 branches and over 4,323 automatic teller machines ("**ATMs**") and cash deposit machines ("**CDMs**") spread across the UAE and overseas *(source: ENBD Results Presentation H1 2020)*. ENBD is a publicly listed company whose shares are listed on the DFM under the symbol EMIRATESNBD. As at the date of this Base Prospectus, ENBD has a long term rating of A+ and a short term rating of F1 from Fitch Ratings, Inc. ("**Fitch**"), and a long term rating of A3 and a short term rating of P-2 from Moody's Investor Service Ltd ("**Moody's**").

Dubai Islamic Bank PJSC

DIB was the world's first full service Islamic bank and, as at 30 June 2020, was the largest Islamic bank in the UAE by total assets (*source: DIB Investor Presentation for the period ended 30 June 2020*). DIB was established in Dubai on 12 March 1975, with the objective of providing banking and other financial services tailored to adhere to the principles of Islamic Shari'a. The core business areas of DIB and its consolidated subsidiaries and associates are retail and business banking, corporate banking, real estate and contracting finance, investment banking and treasury. DIB offers a wide range of Shari'a-compliant products and services to retail, corporate and institutional clients through a network of over 70 branches and more than 640 ATMs and CDMs across the UAE as at 30 June 2020.

As at 30 June 2020, DIB had AED 294.8 billion (U.S.$80.2 billion) of total assets, a loan portfolio of AED 200.3 billion (U.S.$54.5 billion), a net profit for the six month period ended 30 June 2020 of AED 2.1 billion (U.S.$0.6 billion) and declared a dividend during the period of AED 2.5 billion (U.S.$0.7 billion). As at 31 December 2019, DIB had AED 231.8 billion (U.S.$63.1 billion) of total assets, a loan portfolio of AED 150.9 billion (U.S.$41.1 billion), a net profit for the year ended 31 December 2019 of AED 5.1 billion (U.S.$1.4 billion) and declared a dividend during the year ended 31 December 2019 of AED 2.3 billion (U.S.$0.6 billion). As at 31 December 2018, DIB had AED 223.7 billion (U.S.$60.9 billion) of total assets, a loan portfolio of AED 144.7 billion (U.S.$39.4 billion), a net profit for the year ended 31 December 2018 of AED 5.0 billion (U.S.$1.4 billion) and declared a dividend during the year ended 31 December 2018 of AED 2.2 billion (U.S.$0.6 billion). As at 31 December 2017, DIB had AED 207.3 billion (U.S.$56.4 billion) of total assets, a loan portfolio of AED 133.3 billion (U.S.$36.3 billion), a net profit for the year ended 31 December 2017 of AED 4.5 billion (U.S.$1.2 billion) and declared a dividend during the year ended 31 December 2017 of AED 2.22 billion (U.S.$0.6 billion) (*source: DIB's published financial statements*). DIB has its shares listed on the DFM under the symbol DIB. As at the date of this Base Prospectus, DIB has a long term rating of A from Fitch; and a long term rating of A3 and a short term rating of P-2 from Moody's.

Abu Dhabi Commercial Bank PJSC

Established in 1985, Abu Dhabi Commercial Bank PJSC ("**ADCB**") offers a variety of products and services which cater to a range of clientele in both the retail and corporate sectors and has 72 branches across the UAE. As at 30 June 2020, ADCB had AED 406.2 billion (U.S.$110.5 billion) of total assets, a loan portfolio of AED 239.3 billion (U.S.$65.1 billion), a net profit for the six month period ended 30 June 2020 of AED 1.4 billion (U.S.$0.4 billion) and a capital adequacy ratio of 16.3 per cent. As at 31 December 2019, ADCB had AED 405.1 billion (U.S.$110.2 billion) of total assets, a loan portfolio of AED 247.8 billion (U.S.$67.4 billion), a net profit for year ended 31 December 2019 of AED 4.8 billion (U.S.$1.3 billion) and declared a cash dividend in total of AED 2643.8 million (USD 719.4 million) during the year ended 31 December 2019. As at 31 December 2018, ADCB had AED 279.8 billion (U.S.$76.1 billion) of total assets, a loan portfolio of AED 166.4 billion (U.S.$45.3 billion), a net profit for year ended 31 December 2018 of AED 4.8 billion (U.S.$1.3 billion) and declared a cash dividend in total of AED 2391.2 million (USD 650.7 million) during the year ended 31 December 2018. As at 31 December 2017, ADCB had AED 265.0 billion (U.S.$72.1 billion) of total assets, a loan portfolio of AED 163.3 billion (U.S.$44.4 billion), a net profit for year ended 31 December 2017 of AED 4.3 billion (U.S.$1.2 billion) and declared a cash dividend in total of AED 2183.3

million (USD 594.1 million) during the year ended 31 December 2017 (*source: ADCB's published financial statements*). The bank's shares are listed on the Abu Dhabi Securities Exchange under the symbol ADCB. As at the date of this Base Prospectus, ADCB has a long term rating of A and a short term rating of A-1 from S&P; and a long term rating of A1 and a short term rating of P-1 by Moody's.

Commercial Bank of Dubai PSC

CBD was established in 1969 as a joint venture between Commerzbank, Chase Manhattan Bank and Commercial Bank of Kuwait. CBD provides retail and commercial banking services such as current and savings accounts, personal loans, credit cards, investment banking services including investment advisory and asset management services including wealth management. The bank currently has over 15 branches throughout the UAE (*source: CBD's Investor Presentation 2019).* As at 30 June 2020, CBD had AED 93.7 billion (U.S.$25.5 billion) of total assets, a loan portfolio of AED 63.4 billion (U.S.$17.3 billion), a capital adequacy ratio of 14.03 per cent. and a net profit for the six month period ended 30 June 2020 of AED 0.53 billion (U.S.$0.1 billion) (*source: CBD's published financial statements)* . As at 31 December 2019, CBD had AED 88.1 billion (U.S.$24.0 billion) of total assets, a loan portfolio of AED 60.2 billion (U.S.$16.4 billion), a net profit for the year ended 31 December 2019 of AED 1.4 billion (U.S.$0.4 billion) and declared a cash dividend in total of AED 580.2 million (USD 157.9 million) during the year ended 31 December 2019. As at 31 December 2018, CBD had AED 74.1 billion (U.S.$20.2 billion) of total assets, a loan portfolio of AED 50.9 billion (U.S.$13.9 billion), a net profit for the year ended 31 December 2018 of AED 1.2 billion (U.S.$0.3 billion) and declared a cash dividend in total of AED 580.2 million (USD 157.9 million) during the year ended 31 December 2018 . As at 31 December 2017, CBD had AED 70.4 billion (U.S.$19.2 billion) of total assets, a loan portfolio of AED 47.3 billion (U.S.$12.9 billion), a net profit for the year ended 31 December 2017 of AED 1.0 billion (U.S.$0.3 billion) and declared a cash dividend in total of AED 490.5 million (USD 133.5 million) during the year ended 31 December 2017(*source: CBD's published financial statements*). The bank has its shares listed on the DFM under the symbol CBD. As at the date of this Base Prospectus, CBD has a long term rating of A- and a short term rating of F2 from Fitch; and a long term rating of Baa1 and a short term rating of P-2 by Moody's.

National Bank of Fujairah PJSC

The UAE-based National Bank of Fujairah ("**NBF**") was established by the Government of Fujairah. NBF offers corporate banking, trade finance, retail banking, small business financing and investment services such as wealth management and securities trading. NBF has 18 branches across the UAE (*source: NBF Investor Presentation 31 March 2020).* As at 30 June 2020, NBF had AED 44.5 billion (U.S.$12.1 billion) of total assets, a loan portfolio of AED 26.4 billion (U.S.$7.2 billion), a capital adequacy ratio of 18.6 per cent. and a net profit for the six month period ended 30 June 2020 of AED 0.06 billion (U.S.$0.02 billion) (*source: NBF June 2020 Financial Statements).* As at 31 December 2019, NBF had AED 42.8 billion (U.S.$11.6 billion) of total assets, a loan portfolio of AED 27.1 billion (U.S.$7.4 billion), a net profit for the year ended 31 December 2019 of AED 0.6 billion (U.S.$0.2 billion) and declared a cash dividend in total of AED 185.0 million (USD 50.3 million) during the year ended 31 December 2019. As at 31 December 2018, NBF had AED 39.8 billion (U.S.$10.8 billion) of total assets, a loan portfolio of AED 26.2 billion (U.S.$7.1 billion), a net profit for the year ended 31 December 2018 of AED 0.6 billion (U.S.$0.2 billion) and declared a cash dividend in total of AED 123.3 million (USD 33.6 million) during the year ended 31 December 2018 . As at 31 December 2017, NBF had AED 36.7 billion (U.S.$10.0 billion) of total assets, a loan portfolio of AED 24.1 billion (U.S.$6.6 billion), a net profit for the year ended 31 December 2017 of AED 0.5 billion (U.S.$0.1 billion) and declared a cash dividend in total of AED 102.5 million (USD 27.9 million) during the year ended 31 December 2017 (*source: NBF's published financial statements*). The bank has its shares listed on the ADX under the symbol NBF. As at the date of this Base Prospectus, NBF has a long-term rating of BBB+ and a short-term rating of A-2 from S&P, and a long-term debt rating of Baa1 and a short-term rating of P-2 from Moody's.

Borse Dubai Limited

Borse Dubai is the holding company for the DFM and Nasdaq Dubai Limited. Borse Dubai was incorporated in August 2007 to consolidate the Government's two stock exchanges and investments in other exchanges and to expand Dubai's position as a global capital markets hub. Borse Dubai maintains a 80.7 per cent. ownership stake in the DFM and a 87.1 per cent. ownership stake in Nasdaq Dubai Limited. The market capitalisation of the DFM as of 30 June 2020 was AED 5.3 billion (U.S.$1.4 billion). In addition to these subsidiaries, Borse

Dubai is the owner of a stake of 18.1 per cent. in Nasdaq, Inc. that had a market capitalisation of AED 13.1 billion (U.S.$3.6 billion) as at 30 June 2020.

National Bonds Corporation PJSC

National Bonds is a Dubai based financial institution providing Islamic saving schemes to UAE nationals, residents and non-residents. National Bonds offers wealth accumulation through an all-in-one *Shari'a* compliant *Mudaraba* based saving scheme, the first of its kind in the world. National Bonds is a private joint stock shareholding company, established in March 2006 with a paid-up capital of AED 150 million as at 31 December 2019. It is licensed and regulated by the Securities and Commodity Authority.

Transportation and Related Services

The following is a summary of ICD's transportation sector portfolio:

	ICD ownership	**Floated**	**Revenue**	**Net profit[(4)]**	**Total Assets**
	(%)[(1)]	*(Y/N)*	*(AED million)*	*(AED million)*	*(AED million)*
Emirates[(2)]	100	N	90,995	1,056	172,062
dnata[(2)]	100	N	14,223	618	16,703
flydubai[(3)]	100	N	5,543	198	9,206
DAE[(3)]	100	N	5,189	1,384	49,749

Note:

(1) ICD ownership percentage as at 30 June 2020

(2) Total assets as at 31 March 2020 with revenue and net profit attributable to owners for the financial year ended 31 March 2020 (source: published financial statements of the relevant portfolio companies).

(3) Total assets as at 31 December 2019 with revenue and net profit attributable to owners for the financial year ended 31 December 2019 (source: published financial statements of the relevant portfolio companies).

(4) Net profit attributable to owners.

Emirates

Emirates is one of the world's largest international airlines having grown from a fleet of two aircraft in 1985 to 270 aircraft as at 31 March 2020. As at 31 March 2020, Emirates flew to 155 destinations in 81 countries, on six continents and it transported 56.2 million passengers during the financial year ended 31 March 2020 (*source: Emirates Group Annual Report 2020*). Since October 2008, Emirates has had its own dedicated terminal at DIA, Terminal 3, which is capable of accommodating Airbus A380 aircraft. Emirates operates one of the youngest fleets of aircraft in the world with the average age of the fleet standing at 81 months during the same period(*source:Emirates Group Annual Report 2020*).

According to IATA, in 2019, Emirates was ranked fourth in the world in terms of passenger flights measured in revenue passenger kilometres and ranked second in terms of freight transported measured in freight tonne kilometres (*source: IATA World Air Transport Statistics Report, 2019*).

Emirates has reported its 32nd consecutive year of net profits (as per its financial year ended 31 March 2020). Emirates' net profit attributable to owner for the financial year ended 31 March 2020 was AED1.1 billion (U.S.$0.3 billion) on revenues of AED 91.0 billion (U.S.$24.8 billion). Emirates net profit attributable to owner for the financial year ended 31 March 2019 was AED 0.9 billion (U.S.$ 0.2 billion) on revenues of AED 96.0 billion (U.S.$ 26.1 billion) with a declared dividend during the year of AED 1.0 billion (U.S.$ 0.3 billion) and its net profit attributable to owner for the financial year ended 31 March 2018 was AED 2.8 billion (U.S.$ 0.8 billion) on revenues of AED 91.2 billion (U.S.$24.8 billion) (*source: Emirates Group Annual Report 2019 and 2020*).

Emirates' operation of its long-haul services through a single hub at DIA, combined with its network of passenger destinations and high frequency of flights allows it to maximise connectivity around the globe. Given that around four billion people live within an eight hour flight from Dubai, the location of Emirates' hub at DIA provides it with the significant additional advantage that non-stop flights can be made to all major destinations across the globe. Like ICD, Emirates' strategy is closely aligned with the strategic development objectives of the Government as set out in the DP 2021 (see "*Overview of the United Arab Emirates and the Emirate of Dubai – Strategy of Dubai*"). Emirates' key competitive strengths lie in its product positioning, geographical position (which facilitates the connectivity of its flights around the world), access to underserved markets, cost structure, higher operating efficiency, passenger traffic mix and focus on cargo traffic, independence from global alliances, premium brand, young and efficient fleet, financial strength and flexible funding sources and experienced management team. Emirates is not a member of any global airline alliance, although it enters into codeshare and interline arrangements with other airlines including, among others, flydubai and Qantas.

Emirates is the flagship company in the Emirates Group portfolio, which includes, among others, dnata (a supplier of air travel services – see "– *dnata*" below), Emirates SkyCargo, Emirates Hotels and Resorts, Skywards and Emirates Aviation College. The Emirates Group's principal business is the transportation by air of both passengers and cargo and this business accounted for more than 90.0 per cent. of the Emirates Group's total revenue in each of the three financial years ended 31 March 2020, 2019 and 2018. The Emirates Group also provides destination and leisure management services and generates revenues through the sale of consumer goods, food and beverages and the provision of in-flight catering services to third parties. Any reference in this Base Prospectus to the "**Emirates Group**" is a reference to Emirates, its consolidated subsidiaries and dnata (together with its consolidated subsidiaries). dnata is a separate legal entity from Emirates, although it is under common ownership and operates under a common management structure. dnata's financial results are not consolidated with those of Emirates. In total there are more than 50 business units within the Emirates Group, which employs more than 105,000 people (*source: Emirates Group Annual Report 2020*).

dnata

dnata was incorporated in Dubai under a decree issued by H.H. Sheikh Maktoum bin Rashid Al-Maktoum on 4 April 1987. On that date, the total assets and liabilities of Dubai National Air Travel Agency were transferred to dnata, with effect from 1 April 1987, for nil consideration. The main activities of dnata comprise:

- the provision of aircraft handling and engineering services;
- the provision of handling services for export and import cargo;
- in-flight catering services;
- information technology services;
- representing airlines as their general sales agent; and
- travel agency and other travel related services.

As such, dnata has benefited from the historic expansions of Emirates' and DIA's operations. dnata is the largest supplier of air travel services in the Middle East and the sole ground handling agent at DIA.

For the financial year ended 31 March 2020, dnata and its consolidated subsidiaries reported a net profit attributable to owners for the year of AED 0.6 billion (U.S.$ 0.2 billion) on revenues of AED 14.2 billion (U.S.$ 3.9 billion). Dnata's net profit attributable to owners for the financial year ended 31 March 2019 was AED 1.4 billion (U.S.$ 0.4 billion) on revenues of AED 13.9 billion (U.S.$3.8 billion) with a declared dividend during the year of AED 0.5 billion (U.S.$ 0.1 billion) and its net profit attributable to owners for the financial year ended 31 March 2018 was AED 1.3 billion (U.S.$ 0.4 billion) on revenues of AED 12.9 billion (U.S.$ 3.5 billion) with a declared dividend during the year of AED 1.0 billion (U.S.$ 0.3 billion) (*source: Emirates Group Annual Report 2020 and 2019*).

Dubai Aerospace Enterprise (DAE) Limited

DAE was established in 2006 and is headquartered in Dubai. DAE operates an aircraft leasing business through DAE Capital. DAE's leasing and engineering divisions serve over 125 airline customers around the world from its seven locations in Dubai, Dublin, Amman, Singapore and the US. DAE Capital owns and manages (or has commitments to own and manage) a fleet of approximately 400 Airbus, ATR and Boeing aircraft with a fleet value exceeding US$15 billion (*source: https://dubaiaerospace.com/2020/08/05/dae-announces-h1-2020-financial-results/?section=capital*).

DAE' net profit attributable to owner for the financial year ended 31 December 2019 was AED 1.4 billion (U.S.$0.4 billion) on revenues of AED 5.2 billion (U.S.$1.4 billion). DAE's net profit attributable to owner for the financial year ended 31 December 2018 was AED 1.4 billion (U.S.$0.4 billion) on revenues of AED 5.3 billion (U.S.$1.4 billion) and its net profit attributable to owner for the financial year ended 31 December 2017 was AED 0.6 billion (U.S.$0.2 billion) on revenues of AED 3.1 billion (U.S.$0.8 billion) (*source: DAE's published financial statements*).

Dubai Aviation Corporation (trading as flydubai)

Dubai Aviation Corporation was incorporated as a public corporation in Dubai on 7 July 2008 by *Dubai Law No. 11 of 2008*, issued by H.H. The Ruler of Dubai. Dubai Aviation Corporation operates under the name 'flydubai' as a low-cost airline which offers a more affordable option for travellers with destinations few other airlines fly to, generally within approximately five hours from Dubai. On 10 August 2015, H.H. The Ruler of Dubai issued *Law No. 24 of 2015 Transferring the Ownership of the Dubai Aviation Corporation to the Investment Corporation of Dubai*, which transferred ownership of flydubai to ICD.

flydubai is a fast-growing airline that has one of the youngest fleets of aircraft in the world. As at the date of this Base Prospectus, flydubai operated a fleet of more than 50 Boeing 737-800 Next-Generation narrow-body aircraft, which have a range of up to 5,765km *(source: https://news.flydubai.com/investor-relations)*. As at 31 December 2019, the fleet flew to more than 90 destinations across 48 countries from flydubai's hub at DIA Terminal 2 (*source: https://news.flydubai.com/investor-relations*). Flydubai's net profit attributable to owners for the financial year ended 31 December 2019 was AED 0.2 billion (U.S.$ 0.05 billion) on revenues of AED 5.5 billion (U.S.$ 1.5 billion). Flydubai's net loss attributable to owners for the financial year ended 31 December 2018 was AED (0.2) billion (U.S.$(0.05) billion) on revenues of AED 5.8 billion (U.S.$ 1.6 billion) and its net profit attributable to owners for the financial year ended 31 December 2017 was AED 37.2 million (U.S$10.1 million) on revenues of AED 5.1 billion (U.S.$1.38 billion) (*source: company's published financial statements*).

Oil and Gas

ICD's oil and gas sector portfolio consists solely of ENOC, which is 100 per cent. owned by ICD as at the date of this Base Prospectus.

Emirates National Oil Company Limited (ENOC) LLC

ENOC was established in 1993 and is a provider of upstream exploration and downstream refining. It is also involved in the development, production, chemical storage and marketing of petroleum and petrochemical products. As at the date of this Base Prospectus, ENOC had a refinery capacity of 210,000 barrels of oil per day (*source: ENOC*).

ENOC directly and indirectly owns more than 30 subsidiaries including the Emirates Petroleum Products Company (EPPCO) LLC ("**EPPCO**"), which operates across a variety of sectors including petroleum retailing, aviation refuelling and lubricants manufacturing, and Dubai Natural Gas Limited, an exporter of liquid natural gas products to world markets. ENOC also owns Horizon Terminals Limited that operates bulk liquid terminaling facilities in Dubai and Fujairah in the UAE, the Kingdom of Saudi Arabia, Singapore, Djibouti and Morocco (*source: https://www.enoc.com/en/about-us/enoc-at-a-glance*).

In September 2015, ENOC completed its acquisition of 100 per cent. ownership of Dragon Oil plc, an upstream oil and gas exploration and production company whose principal producing asset is located in the eastern section of the Caspian Sea, offshore of Turkmenistan.

Additionally, ENOC's services include real estate and retail through its network of over 170 ENOC and EPPCO service stations across the UAE and the Kingdom of Saudi Arabia that offer fuel retailing, convenience stores, car wash and automotive service facilities (source: *ENOC*).

Industrial Manufacturing

The following is a summary of ICD's industrial sector portfolio:

	ICD ownership	Floated	Revenue	Net profit	Total Assets
	(%)[1]	(*Y/N*)	(*AED million*)	(*AED million*)	(*AED million*)
Dubal Holding LLC[2,3]...	100.0	N	—	—	—
DUCAB[2]..	50.0	N	—	—	—

Note:

(1) ICD ownership percentage as at 30 June 2020.

(2) The company's financial statements are not available to the public.

(3) Dubal Holding LLC maintains 50.0 per cent. ownership of Emirates Global Aluminium PJSC.

Emirates Global Aluminium

In June 2013, ICD and Mubadala united the operations of DUBAL and EMAL, under a newly created jointly-owned holding company, EGA. EGA was incorporated on 27 March 2014 and commenced operations on 7 April 2014, with ICD and Mubadala each holding (indirectly) 50.0 per cent. of the shares in EGA. This agreement builds on the successful partnership that began with the formation of EMAL in 2006, a joint venture between Mubadala and DUBAL.

EGA's principal assets are the aluminium smelter companies, EMAL and DUBAL, and Guinea Alumina Corporation, Ltd. (GAC), a bauxite mining and alumina refining development project in the Republic of Guinea. EGA serves over 400 customers in 50 countries (*source: https://www.ega.ae/en/impact/our-commercial-success*). With EGA's production of approximately 2.6 million tonnes of cast metal in 2019, UAE was the fifth largest primary aluminium producing nation in the world (*source: EGA*).

DUBAL produces aluminium and operates one of the largest single-site smelting facilities in the world, built on a 475-hectare site in Jebel Ali, comprising a 1.0 million tonnes per annum smelter, a 2,350 megawatt power station, a large carbon plant, extensive casting operations (more than 1.2 million tonnes per annum), a water desalination plant, dock and other facilities (*source: https://www.ega.ae/en/about-us/operations/jebel-ali*).

EMAL is an aluminium producer operating a six square kilometre site in Al Taweelah, Abu Dhabi, comprising a 1.3 million tonnes per annum smelter, a 3,100 megawatt power station, a large carbon plant, extensive casting operations (more than 1.8 million tonnes per annum), a water desalination plant, dock and other facilities (*source: https://www.ega.ae/en/about-us/operations/al-taweelah*). EGA has constructed a 2.0 million tonnes per annum smelter grade alumina refinery called Al Taweelah Alumina which is adjacent to the EMAL smelter facility (*source: https://www.ega.ae/en/about-us/operations/al-taweelah-alumina-refinery*).

Dubai Cable Company (Private) Ltd

DUCAB is a joint venture between ICD and General Holding Corporation of Abu Dhabi ("**Senaat**") and manufactures high, medium and low voltage power cables, components and accessories for a range of industrial applications throughout the world with its strongest markets being the UAE, the Kingdom of Saudi Arabia, Kuwait, Oman and Bahrain. With five manufacturing facilities in Dubai and Abu Dhabi (*source: www.ducab.ae/mfg_facilities.asp*), DUCAB manufactures over 110,000 tonnes per annum of high, medium and low voltage power cables, components and accessories (*source: www.ducab.ae/about_ducab.asp*). DUCAB has supplied cables for high profile projects such as the Burj Khalifa, Dubai Metro and Palm Jumeirah. DUCAB has entered into a joint venture with the Dubai Electricity and Water Authority and the Abu Dhabi Water and Electricity Authority, known as DUCAB-HV, which manufactures high voltage cables from a dedicated facility. DUCAB has also entered into a joint venture with Senaat known as the Ducab Aluminium Company to develop a 50,000 tonnes per annum aluminium rod mill (*source: http://ducab.com/en/about-us/manufacturing-facilities)*.

Real Estate and Construction

The following is a summary of ICD's real estate and construction portfolio:

	ICD ownership	Floated	Revenue	Net profit	Total Assets
	(%)[1]	(Y/N)	(*AED million*)[3]	(*AED million*)[3]	(*AED million*)[3]
Emaar	27.5	Y	9,032	2,306	122,553
DWD Holdings[2]	100.0	N	—	—	—
One Za'abeel LLC[2]	100.0	N	—	—	—
ICD Brookfield[2]	50.0	N	—	—	—
Ithra[2]	100	N	—	—	—
Dubai Investments PJSC	11.5	Y	1,137	187	21,460
DAFZA[2]	100.0	N	—	—	—
DSOA[2]	100.0	N	—	—	—
ALEC[2]	90.0	N	—	—	—
Ssangyong[2]	99.9	N	—	—	—

Note:

(1) ICD ownership percentage as at 30 June 2020.

(2) The company's financial statements are not available to the public.

(3) Total assets as at 30 June 2020 with revenue and net profit for the six month period ended 30 June 2020 (*source: published financial statements of the relevant portfolio companies*).

Emaar Properties PJSC

Emaar is a Dubai based company engaged in property investment and development, property management services, education, healthcare, retail and hospitality sectors, as well as investing in financial service providers. It is the largest publicly-listed property developer in the MENA region measured by market capitalisation. For the year ended 31 December 2019, Emaar generated revenues of AED 24.6 billion (U.S.$6.7 billion) and reported a net profit of AED 8.2 billion (U.S.$2.2 billion) with a declared dividend during the year of AED 2.3 billion (U.S.$0.6 billion). For the year ended 31 December 2018, Emaar generated revenues of AED 25.7 billion (U.S.$7.0 billion) and reported a net profit of AED 9.1 billion (U.S.$2.5 billion) with a declared dividend during the year of AED 4.5 billion (U.S.$1.2 billion). For the six month period ended 30 June 2020, Emaar generated revenues of AED 9.0 billion (U.S.$2.5 billion) and reported a net profit of AED 2.3 billion (U.S.$0.6 billion) (*source: Emaar's published financial statements*).

Emaar specialises in creating master-planned communities (including for instance the "Old Town" and high rise developments, centred around the Burj Khalifa in Dubai). As at 31 December 2019, Emaar owned 23 hotels and resorts and had delivered approximately 62,900 residential units since 2001 (*source Emaar 2019 Q4 Investor Presentation)*.Emaar also developed the tallest building in the world, the Burj Khalifa. Emaar operates domestically in the UAE and regionally with a focus on faster growing markets. Operating across five business segments Emaar has a collective presence in markets spanning the Middle East, North Africa, Asia, Europe and North America regions. Emaar has established operations in the UAE, the Kingdom of Saudi Arabia, Lebanon, Egypt, Morocco, India, Pakistan, Turkey, USA and Canada. In addition to its property development business, Emaar is developing operations in hospitality and leisure, malls, education, healthcare and other business segments. Emaar is listed on the DFM under the symbol EMAAR. As at the date of this Base Prospectus, Emaar has long-term ratings of Baa3 from Moody's and BB+ from S&P.

Ithra Dubai LLC

In September 2015, ICD established a real estate and development subsidiary, Ithra, to develop and undertake various planned strategic property developments and enrichment initiatives. Ithra's current portfolio includes two key projects, the Deira Enrichment Project ("**DEP")** and the One Za'abeel development project.

DEP, a real estate development stretching more than four kilometres between Dubai Creek and Hamriya Port, aims to revitalise Dubai's original community centre and trading hub. While adopting a modern approach to design and functionality, DEP aims to preserve Deira's "unique charm and enduring entrepreneurial spirit". The project encompasses the Waterfront Market, DEP Phase One and Two and the Gold Souk Extension.

Upon completion of the DEP Phase One, the development will accommodate 50 mixed-use buildings and eight hotels spanning over twelve districts. Five districts of Phase One are in advanced stages of completion and expected to deliver 311 retail space, 317 office units, 977 residential apartments and 573 hotel rooms and serviced apartments between September 2020 and early 2021.

One Za'abeel, located between the World Trade Centre and Za'abeel Park, is an iconic addition to Dubai's skyline that evokes duality through the distinctive design of its two towers. The flagship project is a revolutionary high-rise mixed-use development, incorporating luxury residences, an ultra-luxury hotel, serviced and premium apartments, Grade A office spaces, a retail podium, and a panoramic sky concourse ("**The Link**"). The Link, will house a choice of attractions including Michelin starred restaurants, observation decks and an infinity pool providing an immersive experience. It will be suspended at over 100 meters above ground level and is expected to be the longest cantilevered building in the world, connecting the two towers of One Za'abeel. The project is expected to be completed by the first quarter of 2022.

Mr. Issam Galadari serves as the Executive Director and Chief Executive Officer of Ithra. Mr. Galadari has over 32 years of experience in the construction and real estate development industry, over 19 years of which in senior leadership and management positions, including in Emaar and Dubai Municipality. Mr. Galadari was instrumental in some of Dubai's major developments such as Burj Khalifa and Downtown Dubai (comprising Dubai Mall and the Address hotel), Arabian Ranches, Emirates Living, Dubai Marina and various international projects for Emaar. Mr. Galadari's previous roles include CEO of Emaar, Managing Director of Emaar Bawadi, Managing Director of Emaar International (focusing on the Middle East and North Africa) and Head of General Projects at Dubai Municipality.

In addition to being the Executive Director and CEO of Ithra, Mr. Galadari currently sits on the boards of directors of, among others, KIHL, Amlak Finance PJSC, Nakheel PJSC and the Royal Atlantis companies.

ICD Brookfield

In 2016, ICD formed a joint venture with Brookfield Property Partners LP (the joint venture being "**ICD Brookfield**") for the development of ICD Brookfield Place, a 53 storey office tower and podium located on a 4-acre site in the Dubai International Financial Centre ("**DIFC**"). ICD Brookfield Place will offer over 990,000 square feet of highly functional, column-free work space, complemented by over 160,000 square feet of retail and food and beverage space. The tower received its building completion certificate in August 2020, although the formal opening of the tower to tenants and visitors depends on a number of significant factors outside of ICD's control.

Dubai Investments PJSC

Dubai Investments PJSC is a holding investment company that invests in existing and start-up companies and projects across three core sectors (i.e., real estate, manufacturing and industrial and financial investments) in the UAE and the Middle East (*source: Dubai Investments PJSC 2019 Q4 Investor Presentation*). DIC operates through a number of divisions and subsidiaries including Dubai Investments Park, Dubai Investments Industries, Masharie LLC, Dubai Investments Real Estate Company, Glass LLC and Al Taif Investment. DIC has its shares listed on the DFM under the symbol DIC (*source:* www.dfm.ae).

Dubai Airport Freezone Authority

DAFZA was established in 1996 within the boundaries of DIA. DAFZA is home to over 1600 companies from across the globe covering a vast number of key industry sectors, including aviation, freight and logistics, IT and telecommunications, pharmaceuticals, engineering, food and beverages, jewellery and cosmetics (*source: DOF EMTN Base Prospectus dated 29 July 2020*). DAFZA provides access to 24-hour logistics services, business operation facilities and a number of government services which facilitate the establishment and serve the needs of businesses. International investors benefit from tax and investment incentives, such as 100 per cent. tax exemption and 100 per cent. foreign ownership. DAFZA's foreign trade exceeded AED164 billion in 2019, compared to AED146 billion in 2018, with a 12.6 per cent. growth. This was driven by more than 15.8 per cent. growth in imports worth AED 72.4 billion. With AED 91.8 billion in total exports and re-exports witnessing 10.2 per cent. growth, DAFZA achieved an AED 19.4 billion trade surplus in 2019 (*source: https://www.dafz.ae/en/dubai-airport-freezone-authority-contribution-to-dubais-foreign-trade-jumps-to-aed-164-billion/*).

Dubai Silicon Oasis Authority

Dubai Silicon Oasis Authority ("**DSOA**") was established in 2005 with the mission to facilitate and promote modern technology based industries, thus supporting the region's demand for business expansion. DSOA is a free zone authority which primarily caters to the technology sector and supporting companies and provides free trade zone incentives and benefits to companies operating within its free zone.

DSOA offers a range of facilities to businesses operating within the approximately seven million square metre technology park with high quality infrastructure, systems and equipment. Facilities include offices, multiple-use warehousing, manufacturing land for development and conference facilities.

ALEC

In 2017, ICD acquired a controlling interest (as at the date of this Base Prospectus 90 per cent.) in UAE based construction company ALEC Engineering and Contracting LLC. ALEC is a large construction company with related businesses operating in the GCC with a presence in Africa. ALEC has consistently evolved and grown over the last 20 years to become a trusted partner for the execution of complex and iconic construction projects. ALEC has extensive experience in complex projects across diverse sectors including airports, retail, hotels & resorts, high-rise buildings, themed projects as well as construction management, design management, estimating, cost planning and procurement. ALEC also possesses a Design and Build capability, which enables it to provide integrated construction solutions to its clients. ALEC offers its clients a complete turnkey solution with construction, MEP, fit-out, energy efficiency solutions and solar opportunities, facilities management capabilities, heavy equipment rental as well as technology systems *(source: www.alec.ae)*.

Ssangyong Engineering & Construction Co., Ltd.

In March 2015, ICD acquired a controlling interest (as at the date of this Base Prospectus 99.98 per cent.) in South Korean construction company Ssangyong. Ssangyong has a long history of participating in construction projects in the Middle East and is currently involved in various construction projects across the UAE, the Kingdom of Saudi Arabia and Iraq and is best known for being the main contractor for the Marina Bay Sands hotel construction project in Singapore and one of the main contractors for construction of the Emirates Towers hotel in Dubai.

Hospitality and Leisure

The following is a summary of ICD's hospitality and leisure portfolio:

	ICD ownership	**Floated**	**Revenue**	**Net profit**	**Assets**
	(%)[1]	(*Y/N*)	(*AED million*)	(*AED million*)	(*AED million*)
DWTC[2]	100	N	—	—	—
ICD H&L[2]	100	N	—	—	—
KIHL[2]	99.9	N	—	—	—

Note:

(1) ICD ownership percentage as at 30 June 2020.

(2) The company's financial statements are not available to the public.

Dubai World Trade Centre Authority

Since opening in 1979, the Dubai World Trade Centre has played a central role in the growth of the region's international trade. DWTC promotes and manages a range of venues and events and provides media and advertising services covering a range of sectors ranging from technology to food to automotive, among others. DWTC's facilities comprise the Dubai International Convention and Exhibition Centre, the Convention Tower office building, on-site accommodation at the Novotel and Ibis hotels and serviced accommodation at The Apartments. The Dubai International Convention and Exhibition Centre is the GCC's largest convention and exhibition venue encompassing more than 1.3 million square feet of multi-purpose covered exhibition space and has hosted over 3 million visitors annually from 2016 through 2019 (*source:* http://wam.ae/en/details/1395302608723, https://www.dwtc.com/en/press/record-2017-results-for-dubai-world-trade-centre-2018, https://www.dwtc.com/en/press/h-h-sheikh-ahmed-bin-saeed-al-maktoum-announces-record-3-43-million-visitors-for-dubai-world-trade-centre-in-2018-2019). In 2015, pursuant to *Law*

No. 9 of 2015 Concerning the Dubai World Trade Centre, the Dubai World Trade Centre became a free zone and DWTC (which became known as Dubai World Trade Centre Authority) became the regulator of this free zone. The establishment of the Dubai World Trade Centre Authority as a free zone has strengthened DWTC's ability to deliver a logistically efficient, business-conducive regulatory environment, offering global enterprises a uniquely flexible base from which to service new growth opportunities across continents.

ICD Hospitality and Leisure LLC

ICD Hospitality & Leisure LLC, or ICD H&L, was established to hold all of ICD's hospitality related investments. As at 30 June 2020, ICD H&L had a diversified portfolio of operating and development assets spanning United States, Africa, Middle East and Asia. Its hospitality assets include: Atlantis the Palm (with 100 per cent. ownership interest); Royal Atlantis (under development with 100 per cent. ownership interest); One Zabeel (under development with 100 per cent. ownership interest); One&Only Palmilla (with 100 per cent. ownership interest); W Washington (with 100 per cent. ownership interest); W Bangkok (with 40 per cent. ownership interest) and RadissonBlu & Plaza (with 90 per cent. ownership interest).

Other hospitality assets directly owned by ICD include: One&Only Capetown (with 66 per cent. ownership interest); One&Only Nyungwe House (with 90 per cent. ownership interest); One&Only Gorilla Nest (with 100 per cent. ownership interest); Shamwari Game Reserve (with 100 per cent. ownership interest) and Mandarin Oriental New York (with 73 per cent. ownership interest).

ICD H&L's largest operating asset by value is Atlantis the Palm situated on the Palm Jumeirah in Dubai, UAE. With its 1,546 rooms, 23 restaurants and Dubai's largest water park spanning across 17 hectares, it is Dubai's leading resort destination. Situated next to Atlantis the Palm, the Royal Atlantis Resorts and Residences, The Palm (the "**Royal Atlantis**") project commenced development in 2015, comprising 795 hotel rooms, 231 luxury branded residential units, and multiple food and beverage and leisure offerings. The Royal Atlantis development is being managed by a dedicated development team, supervised by Ithra Dubai and ICD H&L, and is scheduled to be completed in 2021. The Royal Atlantis, like Atlantis the Palm, will be operated by KIHL.

As at the date of this Base Prospectus, ICD owns and manages ten operational hotels with a total of 3,230 rooms, along with further ten hotels with 2,762 rooms under development.

Kerzner International Holdings Limited

Since its original investment into KIHL in 2015, ICD has increased its stake to 99.9 per cent. KIHL is a leading international developer and operator of destination resorts and luxury hotels and owns the renowned brands One&Only, Mazagan and Atlantis. KIHL currently operates three resorts in Dubai, as well as resorts in Australia, Mauritius, The Maldives, Mexico, China and South Africa. One&Only is an international luxury hotel brand operating resorts in various global locations.

Retail Trade and Other Holdings

The following is a summary of ICD's portfolio in retail trade and other holdings:

	ICD ownership	Floated	Revenue	Net profit	Assets
	(%)[1]	(*Y/N*)	(*AED million*)	(*AED million*)	(*AED million*)
DDF[2]	100	N	—	—	—
Emaratech[2]	100	N	—	—	—
D-Clear[2]	100	N	—	—	—
Aswaaq[2]	100	N	—	—	—

Note:

(1) ICD ownership percentage as at 30 June 2020.

(2) The company's financial statements are not available to the public.

Dubai Duty Free Corporation

DDF is the sole and exclusive duty free operator for Dubai Airports (the operator and manager of both DIA and Al Maktoum International Airport at Dubai World Central ("**AMIA**") and wholly owned by the Government) at the departure and arrivals areas of all terminals. Established in 1983, DDF has grown to become the largest single airport retail operation in the world, with annual sales turnover of U.S.$2 billion in 2019. DDF offers a wide range of products in a modern shopping environment. With the opening of Concourse D in February 2016, DDF operates 36,000 square metres of retail space in DIA and 2,500 square metres of retail space in AMIA.DDF's management consists of an experienced team that has been continuously modernising the company since its establishment. (*source: DOF EMTN Base Prospectus dated 29 July 2020*).

Emaratech (emarat technology solutions) FZ-LLC

Emaratech is a technology and consulting company that provides high end market strategies, outsourced technology and advanced business information technology solutions to both the private and public sectors.

D-Clear Europe Ltd

D-Clear develops, distributes and services its transaction lifecycle software product data management services for back office processing, primarily to the financial services industry.

Aswaaq

Aswaaq owns and operates supermarkets and community malls located at the heart of residential communities in Dubai.

Recent Developments

The following is an overview of certain developments since 31 December 2019. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Base Prospectus or in documents incorporated by reference into this Base Prospectus.

Impact of COVID-19

Across the world, COVID-19 has caused an unprecedented international economic and health crisis. The measures implemented by international and regional governments to contain the virus have triggered a global economic downturn and increased turmoil in financial markets characterised by extreme volatility and declines in security prices, severely diminished liquidity and credit availability and inability to access capital markets. This disruption is likely to result in lower economic growth globally and among the GCC states, including the UAE (see further "*Risk Factors—Risks relating to Dubai, the UAE and the Middle East*").

A number of central banks and governments in the GCC have announced financial stimulus and economic support packages aimed at stabilising the economy and improving liquidity. In the UAE, effective from 15 March 2020 and beyond, the UAE Central Bank implemented the TESS stimulus package which includes a range of measures aimed at mitigating the economic effects of COVID-19 (see "*Overview of the United Arab Emirates and the Emirate of Dubai – Measures taken in the UAE in response to the COVID-19 pandemic*") and, as such, the relief measures provided by TESS directly aid a significant portion of ICD's portfolio companies operating in, and is expected by ICD to mitigate some of the negative economic impact of COVID-19 on, the financial services sector.

However, the restrictive measures imposed by many governments have also possibly reduced demand in certain industries which may have in turn resulted in redundancies, reduced pay and created cash flow concerns for businesses. All of this is expected to have a more immediate impact on ICD's portfolio companies and investments and could have an impact on the Group's overall financial performance and financial condition in 2020, in particular as the Group derives substantially all of its consolidated revenues from a small number of its portfolio companies which are, in addition, all geographically UAE focused (see "*Risk Factors – Factors that may affect the Guarantor's ability to fulfil its obligations under Notes issued under the Programme – Risks relating to ICD – Risks relating to ICD's investment activities – Economic recessions or downturns as a result of COVID-19 or otherwise could impair the value of ICD's portfolio companies or prevent ICD from increasing its investment base*" and "*Risk Factors – Factors that may affect the Guarantor's ability to fulfil its obligations under Notes issued under the Programme – Risks relating to ICD – Risks relating to ICD's investment activities – The Group is dependent on a few portfolio companies for substantially all of its consolidated revenues, and may be subject to revenue volatility experienced by these companies*"). For example, dnata, Emirates, ENBD and ENOC (which represented, in aggregate, 84.9 per cent. of the Group's revenue and 73.4 per cent. of the Group's profit before income tax for the year ended 31 December 2019) have each recently been exposed to the global economic downturn induced by COVID-19 (see "*Risk Factors – Factors that may affect the Guarantor's ability to fulfil its obligations under Notes issued under the Programme – Risks relating to ICD – Risks relating to ICD's investment activities – ICD is subject to the industry and business-specific risks faced by its portfolio companies*"). Decreases in the revenue and/or net profit of any of these companies as a result of COVID-19 or otherwise, or of other portfolio companies, may ultimately have a material adverse effect on the Group's business, financial condition and results of operations in 2020 and in the future.

Acquisitions

a) Subsequent to the year-end, pursuant to the Law no. (3) of 2020, the Government affiliated Dubai Multi Commodities Centre ("**DMCC**") Authority to ICD.

- At the beginning of 2020, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai issued Law No. (3) of 2020 on the DMCC. Established pursuant to Decision No. (4) of 2002, the DMCC is dedicated to enhancing the flow of commodity trade through Dubai.

- The provisions of the new law are applicable to the DMCC both as a Free Zone and an Authority since it is a public authority by law with financial and administrative independence. It has the legal capacity to conduct business and transactions to achieve its objectives. Under the new law, the DMCC will be attached to ICD.

- In addition, pursuant to the law, the DMCC Authority will be responsible for supervising DMCC. The DMCC Authority will be responsible for setting up, developing and managing the infrastructure of DMCC; developing the rules and regulations required for DMCC to achieve its objectives; supervising activities in the DMCC; issuing licenses for companies seeking to operate in the DMCC; and monitoring and supervising construction within the DMCC.

b) Subsequent to the year-end, Dubai Islamic Bank PJSC completed the acquisition of Noor Bank PJSC.

- Dubai Islamic Bank ("**DIB"**) in January 2020 announced that it completed the acquisition of Noor Bank PJSC. DIB completed the acquisition of 99.999 per cent. of Noor Bank through a share swap in the ratio of one DIB share for every 5.49 shares of Noor Bank PJSC. This led to DIB issuing 651,159,198 new shares to increase its issued share capital from 6,589,585,179 shares to 7,240,744,377 shares (which are listed and admitted to trading on the Dubai Financial Market).

- All relevant approvals from all competent regulatory authorities have also been obtained and the operations of Noor Bank are being fully integrated into DIB. The integration process is currently expected to be completed by the end of 2020.

- The acquisition has made DIB the fourth largest bank in the UAE in terms of assets after First Abu Dhabi Bank, Emirates NBD and Abu Dhabi Commercial Bank *(source: 2019 Financial Statements).*

Funding

Other than the initial transfers of assets to ICD at its inception, ICD has been, and continues to be, self-funding and responsible for independently sourcing its own financing. In addition, ICD has neither received nor requested for its own account any payments, budget allocations or other financial support from the Government (see also "*Relationship with the Government – Funding, Support and Oversight from the Government*").

The sources of financing available to ICD are, and to date have been, dividends and special dividends received from its portfolio companies, proceeds from disposals and divestitures of its holdings and external debt financing (including bilateral and syndicated facilities).

As at 31 December 2019, ICD had outstanding bank indebtedness and borrowings under the EMTN Programme and the Sukuk Programme of AED 17.7 billion (U.S.$ 4.8 billion) (at the ICD level only). The Government has not provided any guarantees and does not have any other contingent liabilities in respect of this indebtedness. See also "*Operating and Financial Review – Liquidity and Borrowings – Material Indebtedness*", "*Relationship with the Government – Funding, Support and Oversight from the Government – Contributions from the Government*" and "*– Operating Model*".

At the portfolio level, funds are raised by individual companies independently to finance their own development and operations.

Risk Management at ICD

The range of risks ICD faces changes with the development of its portfolio. Actual and potential risks that ICD may be or become exposed to need to be identified, measured, aggregated and effectively managed. ICD manages risk through a risk management framework which incorporates organisational structure, risk measurement and monitoring processes. The Board and ICD's Executive Committee are responsible for the management of strategic, financial and operational risks. They are supported in this function by the Risk Management Committee (see "*Management*"). ICD has institutionalised this framework, within its investment processes, by promoting a culture of risk-awareness and a balanced risk-taking approach. Since ICD's goal is to optimise long-term shareholder returns, the risk-reward decisions are not determined on the basis of short-term gains.

Broadly, ICD is exposed to two types of risk: strategic risk and financial risk.

Strategic Risk

Strategic risk is the risk of loss arising from, among other things, the pursuit of an unsuccessful business plan, from inadequate resource allocation or from a failure to appropriately respond to changes in the business environment.

ICD believes that its investment strategy of investing only in commercially viable companies that are capable of producing appropriate long-term risk-adjusted returns, together with its stringent investment vetting process (see "*Planning and Investment Process*"), enables it to adequately manage and mitigate strategic risk. As ICD implements its investment strategy, ICD's exposure to Dubai and the UAE as a proportion of its overall portfolio may decrease. By diversifying its investments across broader sectors and geographies ICD seeks, over time, to, among other things, reduce sector and geographic concentration risks.

Financial Risk

ICD is exposed to the following financial risks: (i) credit risk; (ii) liquidity risk; and (iii) market risk, each of which is summarised, at the Group level, in "*Operating and Financial Review – Qualitative Disclosures about Financial Risk Management*" above.

In order to manage such risks, ICD takes measures, in accordance with the guidelines of its risk management framework, to, among other things, diversify its cash among reputable banks, assess the credit worthiness of counterparties and securities and to appropriately manage the duration of any financial transactions.

The main ICD's framework for managing interest rate, foreign currency exchange and liquidity risk is defined in its treasury policy. The framework includes procedures for measuring, monitoring and managing each of these respective risks.

ICD is exposed to foreign currency exchange rate risk as a result of its international investments, but the vast majority of its investments, income and liabilities are denominated in dirhams (which is pegged to the U.S. dollar) and U.S. dollars. ICD does not currently engage in any interest rate hedging transactions as the prevailing market interest rates affecting ICD's borrowings remain at acceptably low levels. However, ICD's global investment strategy and future movements in interest rates, among other things, may in the future result in a need for more active management of exchange rate, interest rate and other financial risks. Hedging decisions are made on the basis of ICD's current and forecasted exposures.

Risk Management Framework and Governance of ICD

The key features of ICD's risk management framework are:

- risk management is embedded in ICD and throughout the Group as an intrinsic process and is a core competency required of all its employees;
- the Board has overall responsibility and provides overall risk management direction and oversight in respect of ICD; and
- ICD's risk appetite statement is determined by the Risk Management Committee and approved by the Chief Executive Officer of ICD.

The risk management function assists ICD's senior management in controlling and actively managing ICD's overall risk exposure. This function also ensures that:

- policies, procedures and methodologies are consistent with ICD's risk appetite;
- ICD's overall business strategy is consistent with its risk appetite; and
- appropriate risk management architecture and systems are developed and implemented.

The risk management framework enables ICD to identify, assess, manage and monitor risks using a range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories and enable generation of information such as:

- credit risk in commercial and consumer lending, collateral coverage ratios, limit utilisations and past due alerts;
- quantification of the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis); and
- quantification of exposures to losses due to extreme and sudden movements in market prices or rates.

Through the risk management framework, transactions and outstanding risk exposures are quantified and compared against authorised limits, whereas non-quantifiable risks are monitored against policy guidelines and key risk and control indicators. Any discrepancies, excesses or deviations are escalated to the management for appropriate timely action.

At the portfolio level, the boards of directors of each of ICD's portfolio companies have responsibility for establishing their own risk management frameworks and analysing and managing their respective risk exposures.

Information Technology

ICD seeks to ensure that its IT systems and software meet the requirements of its business, are effectively maintained and are kept up to date. ICD has an in-house IT team responsible for IT infrastructure and support.

ICD's IT strategy is closely integrated with its overall business strategy. The technology architecture provides a solid foundation for ICD to execute its long-term growth strategy across its various lines of businesses. ICD's technology is based on a scalable and robust enterprise support system designed to be resilient and secure. ICD's IT processes and procedures are adapted from international best practices in the field of IT service management and ICD continuously strives to optimise its IT infrastructure. In recognising the importance of both information security and business continuity, ICD has established an information security management system and a business continuity management system that are aligned with leading practices.

As part of ICD’s business continuity planning, ICD has implemented disaster recovery policies and processes to ensure that critical systems and data continue to be fully operational at all times. ICD carries out daily and other periodic data backups which are stored at a location away from its head office.

ICD was awarded the ISO 27001 certification for its information security management system in 2015 and the ISO 22301 certification for its business continuity management system in 2016. Both systems are subject to annual independent surveillance audits and a recertification process every three years. ICD was awarded the recertification for ISO 27001 in 2018 and for ISO 22301 in 2019.

Legal Proceedings

ICD is not involved in, and is not aware of any member of the Group being involved in, any litigation, arbitration or administrative proceedings relating to claims which could have a material adverse effect on its financial condition and the results of operations and is not aware of any such litigation, arbitration or administrative proceeding that is pending or threatened.

Therefore no material provision has been made as at 31 December 2019 regarding any outstanding legal proceedings against ICD or the Group.

Internal Audit

ICD established its internal audit function in 2019. The internal audit function provides an additional layer of oversight under ICD’s internal control framework through its audits of ICD’s operating activities.

MANAGEMENT

Directors

Pursuant to a decree of H.H. The Ruler of Dubai (*Decree No. 24 of 2020 Reconstituting the Board of Directors of the Investment Corporation of Dubai),* the following were reappointed to, and currently sit on, the Board, until reappointed or replaced by new members, under the Chairmanship of His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai:

Name	Title
His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum	Chairman
H.H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum	Vice Chairman
H.H. Sheikh Ahmed bin Saeed Al Maktoum...	Director
H.E. Reem bint Ebrahim Al Hashimy…………………………………..	Director
H.E. Sultan bin Saeed Al Mansouri………………………………..………	Director
H.E. Mohammed Ibrahim Al Shaibani...	Managing Director
H.E. Abdul Rahman Saleh Al Saleh………………………………………	Director
Mr Mohamed Hadi Al Hussaini…………………………………………...	Director
Mr Helal Saeed Al Marri………………………………………….………...	Director

The Board guides the strategic direction of ICD and reviews the operating and financial position of ICD and the Group. The Board has established certain management committees in order to perform its functions efficiently (see "– *Committees*").

See also "*Relationship with the Government*".

Brief biographies of each of the members of the Board are set out below:

His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum

H.H. Sheikh Hamdan bin Mohammed bin Rashid al Maktoum is the Crown Prince of Dubai and Chairman of the Dubai Executive Council.

H.H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum

H.H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum is the Deputy Ruler of Dubai and Deputy Chairman of the Dubai Executive Council.

H.H. Sheikh Ahmed bin Saeed Al Maktoum

H.H. Sheikh Ahmed bin Saeed Al Maktoum is the President of the Dubai Civil Aviation Authority and Chairman and Chief Executive Officer of Emirates Group and dnata and Chairman of DDF, flydubai and ENBD. In addition, he is Chairman of the Supreme Fiscal Committee of Dubai, Chairman of Dubai Airports, Chairman of DAFZA, Deputy Chairman of the Dubai Executive Council and a member of the board of the General Civil Aviation Authority of the UAE.

H.E. Reem bint Ebrahim Al Hashimy

H.E. Reem Al Hashimy was sworn in as Minister of State in the Cabinet of the United Arab Emirates in February 2008. In February 2016, Her Excellency was sworn in as Minister of State for International Cooperation in the UAE's Ministry of Foreign Affairs and International Cooperation. Additionally, she holds responsibility within the Cabinet for the UAE's bilateral relations with Sub Saharan African countries and the Small Island Developing States (SIDS).

In 2011, Her Excellency was appointed Director General of the Dubai Expo 2020 Bureau and holds the position of Managing Director of the Dubai Expo 2020 Higher Committee in preparation for the upcoming national milestone.

H.E. Eng. Sultan bin Saeed AlMansoori

His Excellency Sultan Bin Saeed Al Mansoori has been appointed as Minister of Economy in the UAE, effective 17th of February, 2008. His Excellency Sultan holds a Bachelor's degree (B. Sc.) in Industrial

Engineering & Management Systems from Arizona State University, USA. He also has a Diploma in Computer System Analysis from the Institute of Computer Technology, Los Angeles, California, USA.

In addition to his position as Minister of Economy, His Excellency Sultan holds several other positions, which includes, among others, Chairman of the Supreme Committee for Consumer Protection; Chairman of the Coordinating and Economic Cooperation Committee and Chairman of the National Committee for the Follow-up Program of Investment Climate.

H.E. Mohammed Ibrahim Al Shaibani

H.E. Mohammed Ibrahim Al Shaibani serves as the Managing Director of ICD. He is also the Director General of H.H. The Dubai Ruler's Court. He is also the Vice Chairman of the Supreme Fiscal Committee of Dubai, and is a member of the Dubai Executive Council. In addition, H.E. Al Shaibani is the Deputy Chairman of the Higher Committee of World Expo 2020, and the Chairman of the Supreme Committee for the Supervision of International Humanitarian City (IHC). His Excellency also serves as the Chairman of Nakheel and Dubai Islamic Bank, and is a member of the board of several government-related organisations including Dubai World and Dubai Aerospace Enterprise Limited.

H.E. Abdul Rahman Saleh Al Saleh

H.E. Abdul Rahman Saleh Al Saleh is the Director General of the Government of Dubai's Department of Finance (DOF) since 2009. He is a member of the Executive Council of Dubai, as well as a member of the Dubai's Strategic Affairs Council. H.E. Al Saleh is also a member of a number of highly esteemed boards, including Dubai's Supreme Fiscal Policy Committee, Dubai World, the Federal Tax Authority as well as the Emirates National Oil Company (ENOC). In a presidential decree issued in December 2018, H.E. Al Saleh was appointed as Vice Chairman of the Board of Directors of the United Arab Emirates Central Bank.

Mr. Mohamed Hadi Al Hussaini

Mr. Mohamed Hadi Al Hussaini has vast professional experience across the banking & finance, real estate, investments, telecommunications and retail sectors.

He currently sits on the board of five publicly listed entities in the UAE. He chairs Emirates Integrated Telecommunications Company and Emaar Malls. He is a board member of Emirates NBD, Emirates Islamic Bank and Dubai Refreshments Company. He also serves on two key boards of non-publicly listed entities being a board member of Emirates Investment Authority and Dubai Real Estate Company.

He has a Master's degree in International Business from Webster University in Geneva, Switzerland.

Mr. Helal Saeed Al Marri

Mr. Helal Saeed Al Marri has been Director General of the Dubai Department of Tourism and Commerce Marketing (DTCM) since 2013. He is a member of the Executive Council of Dubai and also the Director General of the Dubai World Trade Centre Authority (DWTCA).

The business address of each of the members of the Board is Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, UAE.

No member of the Board has any actual or potential conflict of interest between his/her duties to ICD and his/her private interests or other duties.

Senior Management

ICD's day-to-day management is conducted by the following senior managers (the "**Senior Managers**"):

Name	Position
His Excellency Mohammed Ibrahim Al Shaibani	Managing Director
Khalifa Al Daboos..	Deputy Chief Executive Officer
Douraid Zaghouani...	Chief Operating Officer
Abdulla Al Qubaisi...	Operations Director
Angelina Lim	HR Director

Name	Position
Simon Harland	Head of Mergers and Acquisitions
Hassan Al Nahdi	Head of Treasury and Capital Markets
Thierry Gimonnet...	Finance Director

Brief biographies of each of the Senior Managers are set out below:

His Excellency Mohammed Ibrahim Al Shaibani, Managing Director

See "– *Directors*" above.

Mr. Khalifa Al Daboos, Deputy Chief Executive Officer

Mr. Khalifa Al Daboos is the Deputy Chief Executive Officer of ICD. His experience spans 27 years, holding senior positions with leading investment and financial institutions in the UAE.

Mr. Al Daboos' previous roles include heading the Investment Department at the Government's Department of Finance in H.H. The Dubai Ruler's Court. He began his career with ENBD where he worked across treasury, foreign exchange and capital market functions.

Mr. Al Daboos is currently the Chairman of National Bonds, Aswaaq and SmartStream Technologies Limited, and also sits on the boards of directors of organisations including, among others, DAE, KIHL, Nakheel, Limitless, Emirates Investment & Development PSC, the Economic Development Committee of the Executive Council and Dubal Holding.

Mr. Douraid Zaghouani, Chief Operating Officer

Mr. Douraid Zaghouani is the Chief Operating Officer of ICD. Mr. Zaghouani joined ICD in 2014 after a distinguished career at Xerox, where his most recent position was as a Corporate Officer and Global President, Channel Partners Operations based in New York, USA. Mr. Zaghouani is also the Chairman of the Board of Dubai Global Connect, the "City of Trade". He represents ICD on the board of directors of Dangote Cement and is on the board of directors of IHI, International Hotel Investments plc and IPEMED, L'Institut de Prospective Economique du Monde Méditerranéen.

Mr. Abdulla Al Qubaisi, Operations Director

Mr. Abdulla Al Qubaisi is the Operations Director of ICD. Mr. Al Qubaisi joined ICD in 2012 after a 20-year career in the nautical and shipping industry, his most recent role being the Assistant Director of the Marine Department at the Jebel Ali Port. Mr. Al Qubaisi is the Vice Chairman of Emirates Rawabi PJSC and represents ICD on the board of directors of Aswaaq.

Ms. Angelina Lim, HR Director

Ms. Angelina Lim is the HR Director of ICD. Ms. Lim joined ICD in 2014 and has more than 20 years of relevant experience spanning across multiple verticals of the human resources function across different geographies and sectors. Prior to ICD, she has worked in various financial institutions, namely Noor Investment Group, Standard Chartered Bank, Citigroup and HSBC.

Mr. Simon Harland, Head of Mergers and Acquisitions

Mr. Simon Harland is the Head of Mergers and Acquisitions at ICD. Mr. Harland joined ICD in 2008 and has over 24 years of corporate finance and business advisory experience, having formerly held positions at Arthur Andersen, Credit Suisse First Boston (CSFB) and Ernst & Young.

Mr. Hassan Al Nahdi, Head of Treasury and Capital Markets

Mr. Hassan Al Nahdi is the Head of Treasury and Capital Markets at ICD. Mr. Al Nahdi joined ICD in 2010 and held various roles with the Investment and Finance departments before his appointment as the Head of Treasury in 2015. He is a member of the audit committees of several of ICD's portfolio companies and represents ICD on the board of directors of Aswaaq and One&Only Cape Town.

Mr. Thierry Gimonnet, Finance Director

Mr. Thierry Gimonnet is the Finance Director at ICD. Mr. Gimonnet joined ICD in 2015 and has more than 25 years of experience in investment and financial service sectors including various finance roles in the UAE with Abu Dhabi Investment Company and in Europe with Goldman Sachs.

The business address of each of the Senior Managers is Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, UAE.

No Senior Manager has any actual or potential conflict of interest between his/her duties to ICD and his/her private interests or other duties.

Corporate Governance

ICD is committed to developing and maintaining the highest standards of corporate governance and supports the application of such standards across the Group. The Board is responsible for overseeing ICD's corporate governance affairs, training and related policies and procedures.

The governance of ICD is achieved through the delegation of certain of the Board's authorities for executive management (including in respect of strategy, risk management and financial planning and performance) to established committees (see "— *Committees*"), which report to and operate under the overall oversight of the Board. Such delegation of authority facilitates the efficient day-to-day management and operation of ICD and promotes responsibility, accountability and appropriate internal controls over the authorisation, execution and management of commitments across all levels of ICD's management.

Committees

ICD has established a number of committees, which include the following:

Audit Committee

The Audit Committee comprises four Board members. The Audit Committee is primarily responsible for oversight of ICD's financial reporting process, its system of internal control, its process for monitoring compliance with applicable laws and regulations, and the audit process.

The Audit Committee seeks to meet at least four times per year.

Remuneration Committee

The Remuneration Committee comprises three Board members. The Remuneration Committee is primarily responsible for the review and approval of the remuneration of the Managing Director and other executive directors, oversight of ICD's compensation and benefits plans, and the review and recommendation to the Board of the corporate performance related objectives of ICD.

The Remuneration Committee seeks to meet at least once per year.

Investment Committee

The Investment Committee comprises three Board members. The Investment Committee is primarily responsible for the review and recommendation to the Board of ICD's investment strategy, oversight of the performance of investments made by ICD, and approval of investment transactions as required by the relevant authority limits.

The Investment Committee seeks to meet at least three times per year.

Executive Committee

The Executive Committee comprises two members of the Board. The Executive Committee is primarily responsible for:

- reviewing ICD's strategic plan and mission;
- formulating policies and guidelines to manage ICD's capital resources effectively;

- instituting the policies and procedures relating to the governance and operations of ICD;
- reviewing and approving major business decisions;
- providing oversight of ICD's investment functions and evaluating and approving ICD's investment policies;
- evaluating and approving all investment transactions, including mergers, acquisitions, divestitures, restructurings, reorganisations and any other form of investments, including the underlying financing, made on behalf of ICD; and
- reviewing and approving matters related to financing, funding and risk management.

The Executive Committee meets between meetings of the Board or as and when required.

Investment Management Committee

The Investment Management Committee comprises three members. The Investment Management Committee is primarily responsible for:

- providing oversight of ICD's investment functions and evaluating ICD's investment policies; and
- evaluating all investment transactions, including mergers, acquisitions, divestitures, restructurings, reorganisations and any other form of investments, including transaction related financing, made on behalf of ICD.

The Investment Management Committee meets as and when required and at the request of the Executive Committee.

Risk Management Committee

The Risk Management Committee with the Chief Operating Officer as its Chairman, works in collaboration with all department heads and is primarily responsible for:

- recommending to the Board for implementation and overseeing a sound risk management framework and internal control processes and systems which aim to identify, assess, manage and monitor risk exposures of the Group;
- providing guidance to the respective departments in their efforts to develop systems and processes which are considered necessary to ensure that ICD's risks are being effectively managed, including the review and endorsement of the operational policies and procedures developed by ICD's various functions;
- reviewing on an annual basis the risk profile of each department and working together with each department to evaluate and assess the identified risks and recommended risk limits and risk mitigation measures; and
- recommending improvements to the risk management framework and related internal control processes and systems as it considers necessary from time to time.

The Risk Management Committee meets at least three times a year.

Management Committee

The Management Committee comprises the senior management of ICD. It is the Management Committee's responsibility to:

- oversee the day-to-day operational activities of ICD; and
- execute, implement and manage directives introduced by the Executive Committee.

The Management Committee meets at least six times a year.

Employees

As of 30 June 2020, ICD had 75 employees and as at 31 March 2020 the consolidated companies in the Group had over 140,000 employees.

For related party transactions, see "*Operating and Financial Review – Related Party Transactions*".

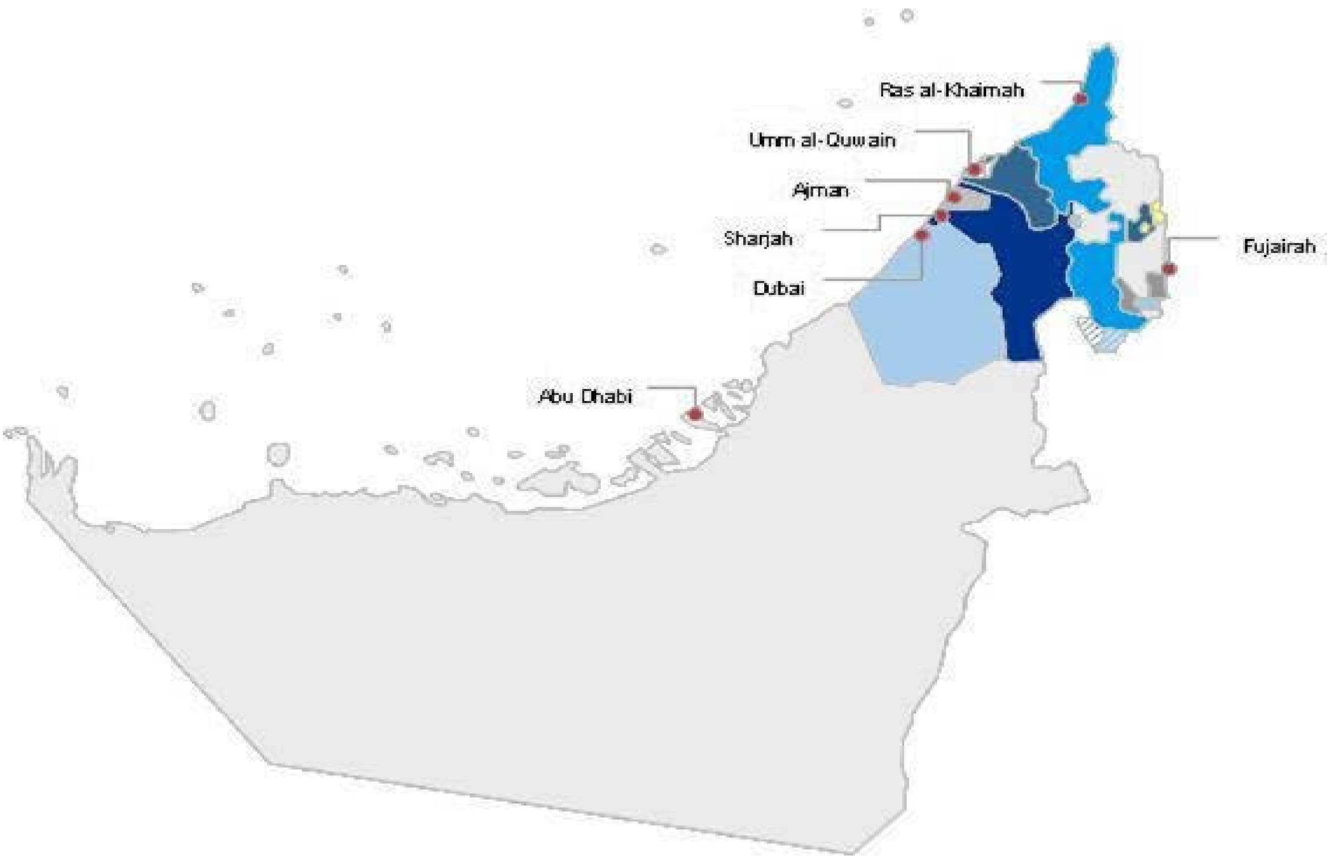
OVERVIEW OF THE UNITED ARAB EMIRATES AND THE EMIRATE OF DUBAI

The information set forth in this section is based on publicly available information. ICD only accepts responsibility for accurately reproducing such information and, as far as ICD is aware, no facts have been omitted which would render such information inaccurate or misleading. ICD accepts no responsibility for the accuracy of such information, which may also be approximate or use rounded numbers.

Introduction

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

Location and Geography



Dubai is the second largest Emirate in the UAE after Abu Dhabi, and is situated on the west coast of the UAE in the south-western part of the Arabian Gulf. It covers an area of approximately 4,114 square kilometres and lies at a longitude of approximately 55 degrees east and a latitude of 25 degrees north. Except for a tiny enclave in the Hajar Mountains at Hatta, Dubai comprises one contiguous block of territory.

The UAE as a whole extends along the south-east of the Arabian Gulf, from the base of the Qatar peninsula to Ras Al Khaimah in the North and across the Mussandum peninsula to the Gulf of Oman in the East, covering an area of approximately 71,023 square kilometres in total.

Population

Population of the UAE

The population of the UAE, based on a census carried out in 2010 and according to the UAE Federal Competitiveness and Statistics Authority (formerly the National Bureau of Statistics) (the "**FCSA**") was approximately 9.3 million in 2014 and approximately 9.4 million in 2018.

The population of the UAE has grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as each of the Emirates have developed.

Population of Dubai

The following table sets out the estimated population of Dubai as at 31 December for each of the years indicated:

	2019	**2018**	**2017**	**2016**	**2015**
Total population, Dubai	3,355,900	3,192,275	2,796,455	2,698,600	2,446,675

Source: Dubai Statistics Center.

The Dubai Statistics Center has estimated the population of Dubai to be approximately 3.4 million at the end of 2019. The number of 'active individuals' present during the day in Dubai is estimated at considerably more (approximately 1,196,000 at year-end 2019), many of whom work within Dubai yet reside outside of it *(source: https://www.dsc.gov.ae/Publication/Population%20Bulletin%20Emirate%20of%20Dubai%202019.pdf)*.

The majority of the population of Dubai is estimated to be non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. According to the Dubai Statistics Center, as at 31 December 2019, approximately 69.5 per cent. of the population was estimated to be male and 30.5 per cent. female, reflecting the large male expatriate workforce unaccompanied by family members.

According to the Dubai Statistics Center, as at 31 December 2019, it was estimated that approximately 18.0 per cent. of the population of Dubai was 19 years of age or under, 24.5 per cent. of the population was between 20 and 29 years of age, 31.3 per cent. of the population was between 30 and 39 years of age, 17.5 per cent. of the population was between 40 and 49 years of age, and 8.7 per cent. of the population was 50 years of age or older.

According to the Dubai Statistics Center, education and training are an important strategic focus for Dubai. The literacy rate in Dubai for persons at or above the age of 15 was estimated at 97.6 per cent. in 2019.

Economy

Economy of the UAE

Based on IMF data (extracted from the World Economic Outlook (April 2020), real GDP growth in the UAE was 3.0 per cent. in 2016, 0.5 per cent. in 2017, 1.7 per cent. in 2018 and 1.3 per cent. in 2019. The GDP is projected to contract by 3.5 per cent. in 2020 (*source: IMF* World Economic Outlook (April 2020)).

The FCSA has estimated that real GDP in the UAE was AED 1,486.3 billion in 2019, was AED 1,461.7 billion in 2018 and was AED 1,444.5 billion in 2017, representing a real GDP growth rate of 1.7 per cent. in 2019 compared to 2018 and 1.2 per cent. in 2018 compared to 2017, respectively.

Although it has one of the most diversified economies in the GCC, the UAE's wealth remains largely based on oil and gas. According to OPEC data, at 31 December 2018, the UAE had approximately 6.5 per cent. of the world's proven crude oil reserves (giving it the sixth largest oil reserves in the world) (*source: OPEC Annual Statistical Bulletin 2019*). According to the data produced by the FCSA, the hydrocarbon sector (mining and quarrying which includes oil and gas activity) accounted for 25 per cent. of the UAE's GDP in 2019 and crude oil revenues accounted for 41 per cent. of total public revenues in 2019.

Whilst, fluctuations in energy prices do have a bearing on economic growth, the UAE is generally viewed as being less vulnerable than some of its GCC neighbours, due to the growth in non oil sectors, particularly trading, finance, real estate, transport and tourism.

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

	2019	2018	2017	2016
Nominal GDP (AED billions)	1,546.6	1,550.6	1,416.1	1,311.2
Nominal GDP growth (%)	(0.3)	9.5	8.0	(0.3)
Real GDP (AED billions)	1,486.3	1,461.7	1444.5	1411.0
Real GDP growth (%)	1.7	1.2	2.4	3.1

Source: FCSA and Ministry of Finance, preliminary estimates in respect of 2019.

On 6 July 2020, Moody's Investors Service Inc., as part of its periodic review, affirmed the UAE's credit rating of Aa2 (with a stable outlook) in a non-rating action. The principal reason cited for this high investment grade rating was the assumption that the obligations of the UAE federal government will be fully supported by the Government of Abu Dhabi. The UAE is not rated by any other rating agency.

The MSCI Emerging Markets Index classifies the UAE as an "emerging market" economy (compared to the previous classification of "frontier market") with ten UAE companies (including ADCB, Abu Dhabi Stock Exchange ("**ADX**") and the Dubai Financial Market) included on the benchmark index.

Economy of Dubai

Dubai has a diversified economy which has demonstrated consistent growth in recent years, with real GDP increasing by 3.1 per cent. in 2016, 3.1 per cent. in 2017, 2.1 per cent. in 2018 and 2.2 per cent. in 2019. Since the UAE was established, when approximately half of Dubai's GDP was oil-related, the Emirate's reliance on oil has decreased significantly, with the mining and quarrying (which includes oil and gas activity) sector accounting for only 1.6 per cent. of Dubai's real GDP in 2019.

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

	2019	2018	2017	2016
Real GDP (AED millions)	407,424	398,559	390,543	378,765
Real GDP growth (%)	2.2	2.1	3.1	3.1

Source: Dubai Statistics Center, FCSA.

The real GDP of Dubai in 2019 accounted for 27.4 per cent. of the real GDP of the UAE in the same year. In 2018, 2017 and 2016, the equivalent proportions were 27.3 per cent., 27.5 per cent. and 26.8 per cent., respectively. Dubai's real GDP per capita in 2019 was approximately U.S.$33,058 based on an assumed population of 3,355,900 and an exchange rate of U.S.$1.00 = AED 3.6725.

Within Dubai, no single economic sector contributed more than 30 per cent. to total real GDP in the years 2016 through 2019, with the largest sector being the wholesale and retail trade sector, which contributed AED 108.5 billion, or 26.6 per cent., of the Dubai's real GDP in 2019. Other significant contributors to real GDP in 2019 included the transportation and storage sector, which contributed AED 52.1 billion, or 12.8 per cent., to real GDP, the financial and insurance activities sector, which contributed AED 40.3 billion, or 9.9 per cent., to real GDP, the manufacturing sector, which contributed AED 36.2 billion, or 8.9 per cent., to real GDP, the real estate activities sector, which contributed AED 29.4 billion, or 7.2 per cent., to real GDP, the construction sector, which contributed AED 25.6 billion, or 6.3 per cent., to real GDP, the accommodation and food service activities sector, which contributed AED 20.8 billion, or 5.1 per cent., to real GDP, and the public administration and defence sector, which contributed AED 20.3 billion, or 5.0 per cent., to real GDP. Together, these eight sectors contributed 81.8 per cent. of Dubai's total real GDP in 2019.

In terms of growth, the strongest principal sectors in Dubai in recent years have been (i) the arts, entertainment and recreation sector, with a compound annual real GDP growth rate of 7.2 per cent. between 2016 and 2019; (ii) the human health and social work activities sector, with a compound annual real GDP growth rate of 6.4 per cent. between 2016 and 2019; (iii) the transportation and storage sector, with a compound annual real GDP growth rate of 5.7 per cent. between 2016 and 2019; (iv) the accommodation and food services with a compound annual real GDP growth rate of 5.6 per cent. between 2016 and 2019; and (v) the construction sector, with a compound annual real GDP growth rate of 4.6 per cent. between 2016 and 2019.

Significant growth sectors for Dubai in 2019 were transportation and storage, human health and social work activities, art entertainment and recreation and accommodation and food service activities. During 2019 the transportation and storage sector grew by 5.9 per cent. in real terms, the human health and social work activities sector grew by 5.9 per cent. in real terms, the art entertainment and recreation sector grew by 3.9 per cent. in real terms and the accommodation and food service activities sector grew by 3.6 per cent. in real terms.

Each of the above sectors has benefitted from the Government's policies aimed at improving the business and investment environment and positioning Dubai as a regional trade and business hub. These initiatives include specific high profile developments initiated by the Government, the establishment of a range of specialised free zones designed to attract new companies and investment and the enactment of legislation designed to promote economic growth, such as the adoption of the new FDI Law, new visa rules, such as the "golden card" and long-term investor visa schemes, the introduction of electronic business licenses by the DED, the reduction of various fees (including municipality fees on businesses and fees on hotel rooms), and a new insurance scheme replacing the previous requirement for private sector employers to issue a bank guarantee for each employee. Other supply side factors supporting Dubai's longer-term economic growth have included the availability of labour and land for real estate development, increasing consumer wealth in the GCC and elsewhere (in part reflecting historic periods of high oil and gas prices), an appropriate legal and regulatory framework and good infrastructure.

Although, the Government continues to focus on economic diversification and in this respect is targeting wholesale and retail trade, transportation and storage, financial and insurance activities, professional, scientific and technical activities and accommodation and food service activities sectors, in particular, as areas for future growth, the economic consequences of the measures introduced in the UAE (see "*— Measures taken in the UAE in response to the COVID-19 pandemic*") and globally to address the COVID 19 pandemic as well as the decrease in oil prices are predicted to lead to contraction in real GDP in 2020. As of April 2020, the IMF predicted a contraction of 3.5 per cent on a year-on-year basis.

The following table sets out Dubai's real GDP by economic sector at constant prices and by percentage contribution, as well as the year-on-year growth rate, in each of the years 2016 to 2019:

	2018			**2019**		
Sector	**AED million**	**% contribution**	**% growth**	**AED million**	**% contribution**	**% growth**
Agriculture, forestry and fishing	499	0.1	0.3	498	0.1	(0.3)
Mining and quarrying	6,384	1.6	(5.2)	6,387	1.6	0.0
Manufacturing	36,090	9.1	(2.2)	36,173	8.9	0.2
Electricity, gas, steam and air conditioning supply(1)	10,605	2.7	1.0	10,653	2.6	0.5
Construction	24,495	6.4	5.0	25,635	6.3	0.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	105,675	26.5	1.9	108,506	26.6	2.7
Transportation and storage	49,195	12.3	2.9	52,105	12.8	5.9
Accommodation and food service activities	20,046	5.0	4.2	20,773	5.1	3.6
Information and communication	16,868	4.2	4.2	16,711	4.1	(0.9)
Financial and insurance activities	39,980	10.0	(0.5)	40,251	9.9	0.68
Real estate activities	28,466	7.1	6.1	29,414	7.2	3.3
Professional, scientific and technical activities	14,657	3.7	3.8	15,076	3.7	2.9
Administrative and support service activities	12,043	3.0	3.9	12,215	3.0	1.4
Public administration and defence	20,261	5.1	1.4	20,297	5.0	0.2
Education	2,814	0.7	2.9	2,871	0.7	2.0
Human health and social work activities	4,168	1.0	3.5	4,412	1.1	5.9
Arts, entertainment and recreation	1,337	0.3	1.6	1,389	0.3	3.9
Other service activities	1,853	0.5	1.0	1,874	0.5	1.1
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	2,123	0.5	3.4	2,184	0.5	2.9
	398,559	**100**	**2.1**	**407,424**	**100**	**2.2**

Sector	2016 AED million	2016 % contribution	2016 % growth	2017 AED million	2017 % contribution	2017 % growth
Agriculture, forestry and fishing	480	0.1	1.3	498	0.1	3.7
Mining and quarrying	6,514	1.7	(2.6)	6,733	1.7	3.4
Manufacturing	36,067	9.5	4.5	36,901	9.4	2.3
Electricity, gas, steam and air conditioning supply(1)	9,861	2.6	11.1	10,499	2.7	6.5
Construction	23,653	6.2	(3.4)	24,292	6.2	2.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	102,759	27.1	0.6	103,712	26.6	0.9
Transportation and storage	44,118	11.6	2.8	47,806	12.2	8.4
Accommodation and food service activities	17,638	4.7	2.5	19,235	4.9	9.1
Information and communication	15,514	4.1	7.0	16,186	4.1	4.3
Financial and insurance activities	40,492	10.7	2.4	40,193	10.3	(0.7)
Real estate activities	25,681	6.8	9.8	26,818	6.9	4.4
Professional, scientific and technical activities	13,660	3.6	7.4	14,127	3.6	3.4
Administrative and support service activities	11,406	3.0	9.2	11,593	3.0	1.6
Public administration and defence	19,412	5.1	3.4	19,987	5.1	3.0
Education	2,695	0.7	8.8	2,734	0.7	1.5
Human health and social work activities	3,659	1.0	2.1	4,026	1.0	10.0
Arts, entertainment and recreation	1,127	0.3	8.9	1,316	0.3	16.7
Other service activities	1,830	0.5	18.7	1,836	0.5	0.3
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	1,984	0.5	3.7	2,052	0.5	3.4
	378,765	**100**	**3.1**	**390,543**	**100**	**3.1**

(1) The Water Supply Sewerage, Waste Management and Remediation Activities category was merged with the Electricity, Gas, Steam and Air Conditioning Supply category from 2017 onwards.

Source: *Dubai Statistics Center.*

Governance, Legislation and Judiciary

The UAE

The original constitution of the UAE (the "**Constitution**") established the legal framework for the UAE. The major principle adopted by the Constitution was that jurisdiction for enacting substantive legislation was confined to the federal government, but the local governments of each of the seven Emirates were authorised to regulate those matters that were not the subject of legislation by the federal government. The Constitution was initially provisional but was made permanent pursuant to a constitutional amendment in May 1996.

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

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

The individual Emirates are given flexibility in the governance and management of their own Emirates. The Constitution permits individual Emirates to elect to maintain their own competencies in certain sectors. Based on this flexibility, Dubai has elected to assume responsibility for its own education, public health and judicial systems. The natural resources and wealth in each Emirate are considered to be the public property of that Emirate. Each Emirate manages its own budget on an independent basis and no Emirate has any obligation to contribute to the budget of any other Emirate. Each Emirate makes contributions to the federal budget in agreed amounts.

The following are the key entities in the structure of the federal government of the UAE:

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

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

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

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

- *Federal National Council*: The Federal National Council (the "**FNC**") is a parliamentary body which comprises 40 members who are UAE nationals. Half of the members are appointed by their respective rulers and the other half is elected under an electoral process. Each Emirate appoints members for a particular number of seats based on such Emirate's population and size. Abu Dhabi and Dubai have eight members each, Sharjah and Ras Al Khaimah have six members each and the other Emirates have four members each. The nomination of representative members is left to the discretion of each Emirate, and the members' legislative term is four calendar years. The members represent the UAE as a whole rather than their individual Emirates.

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

  During 2006, reforms were made with a view to enhancing public participation in the electoral process. Under these reforms, the Ruler of each Emirate selects an electoral college whose members are at least 100 times the number of FNC members for the relevant emirate. The members of each electoral college then elects half of the FNC members for their Emirate, with the remainder being appointed by their respective ruler.

  In May 2011, the National Election Commission issued new electoral guidelines addressing the methods of selection of representatives to the FNC, the role of the National Election Commission and its sub-committees and general rules on the elections, nominations, campaign, filing of appeals and timeline for the electoral process.

  The most recent FNC elections were held on 5 October 2019, when 479 candidates stood for election to the 20 elected positions on the FNC, with a voter turnout across the UAE of 117,592, or 34.8 per cent. of an expanded electoral college of 337,738.

Emirate of Dubai

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

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

The key entities in the structure of the Government are: (i) the Ruler's Court; (ii) the Supreme Fiscal Committee (the "**SFC**"); (iii) the Executive Council of Dubai (the "**Executive Council**"); (iv) the Dubai Council; and (v) the Supreme Legislation Committee (the "**SLC**"). The Dubai Department of Economic Development (the "**DED**") and the Dubai Department of Finance (the "**DoF**") are administrative bodies.

All seven of these entities have distinct roles:

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

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

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

- *Dubai Council*: The Dubai Council was established in January 2020, with the objective to map out and oversee Dubai's vision for the next 50 years. For additional information regarding the Dubai Council, see "*—Strategy of Dubai—Dubai Council*" below.

- *SLC*: The SLC was established in June 2014 pursuant to the Dubai Decree No. 23 of 2014 with responsibility for overseeing all aspects of the legislative process in Dubai. Legislation in Dubai may only be passed by the H.H. The Ruler of Dubai upon consultation with, and recommendation of, the SLC. The SLC is also responsible for issuing explanatory memoranda and bylaws relating to legislation in force in Dubai, and to provide legal consultation for government entities in respect of such legislation. The SLC may also form technical committees to review any proposed legislative amendments. The SLC reports directly to the Chairman of the Executive Council.

- *DED*: The DED is a regulatory and administrative body responsible for licensing and regulation of the business sector. All businesses operating in Dubai are required to be registered with and licensed by the DED. The DED also helps formulate the Government's policy in relation to economic planning and the promotion of Dubai as a business centre. The DED works closely with relevant government bodies such as the Ministry of Labour and the Real Estate Regulatory Authority ("**RERA**").

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

In addition to the above, ICD is the principal investment arm of the Government. ICD was formed in 2006 as a holding company for investments that had previously been held directly by the DoF. ICD's role is to consolidate and manage the Government's investment portfolio and provide strategic oversight of the portfolio by developing and implementing best practice corporate governance policies. Following the initial transfer of assets by the Government, ICD's normal approach to funding is to be self-sustaining in its operation, and it may at times contribute to the budget of the Government. See "*Description of ICD and the Group*".

Legal and Court System

There are three primary sources of law in the UAE, namely: (i) federal laws and decrees (applicable in all seven Emirates); (ii) local laws and decrees (*i.e.* laws and regulations enacted by the Emirates individually); and (iii) *Shari'a* (Islamic law). The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the ruler or local government of each Emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter-Emirate disputes and disputes between the federal government and the Emirates.

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

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

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

In May 2017, the Cabinet approved the formation of the Council for Fatwa, to coordinate fatwas and unify their sources, as well as to review national policies in respect of fatwas. The Council for Fatwa will be the official reference for fatwas in the UAE and will aim to consolidate and organise the work of government authorities, institutions and individuals in relation to the issuance of fatwas. The Council for Fatwa also has the authority to grant licences to issue fatwas, to train muftis (religious scholars) and develop their skills, as well as to conduct related studies in coordination with the UAE General Authority of Islamic Affairs and Endowments.

Strategy of Dubai

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

Dubai Plan 2021

In December 2014, H.H. The Ruler of Dubai announced the launch of Dubai Plan 2021 (the "**DP 2021**"), which outlines Dubai's development framework for the period from 2015 to 2021. DP 2021 is intended to align with UAE Vision 2021 and to complement the Dubai Strategic Plan 2015. The framework of Dubai Plan 2021 comprises six themes that aim to define and describe Dubai in the year 2021: (i) "The People", a city of happy, creative and empowered people; (ii) "The Society", an inclusive and cohesive society; (iii) "The Experience", the preferred place to live, work and visit; (iv) "The Government", a pioneering and excellent Government; (v) "The Economy", a pivotal hub in the global economy; and (vi) "The Place", a smart and sustainable city. Each of these themes is described in more detail below, respectively. For an overview of ICD's role in the DP 2021, see "*Relationship with the Government – ICD's Role in Dubai's Development Strategy*".

The People

The DP 2021's main focus is the people of Dubai, and it aims to reinforce the feeling of responsibility each individual must have towards themselves and their families and society in pursuing and promoting education and personal development, and maintaining a healthy lifestyle, to enable them to play an active, productive, and innovative role in all aspects of the society and economy.

The Society

With this theme, the DP 2021 aims for a population that is economically and demographically sustainable, as well as tolerant and inclusive, and addresses the importance of the family.

The Experience

The DP 2021 focuses on improving Dubai's liveability and this theme addresses the need to provide the best educational, health and housing services to all residents, as well as rich cultural experiences and entertainment options.

The Government

The DP 2021 states that people's happiness and satisfaction with government services and policies are the primary measures for the government's success and also recognises the need to enhance government efficiency and transparency in all aspects.

The Economy

The DP 2021 aims to consolidate Dubai's position as a key player in the global economy and to be among the top five centres for trade, logistics, finance and tourism. The DP 2021's aim is for sustainable economic growth that is resilient to disruptive shocks through being underpinned by a diversified base of economic activity, innovation in business models and increasing productivity of labour and capital. Further, the DP 2021 aims for Dubai to become the most business friendly city in the world and to be a preferred investment destination for foreign capital.

The Place

This theme addresses the importance of sustainability in the management of Dubai's future growth by ensuring the availability of clean energy sources and protecting natural resources such as soil, water, and air. The DP 2021 promotes sustainable consumption, as well as recognising the importance of efficiency in the development of Dubai's infrastructure and the use of its resources.

Dubai Council

On 4 January 2020, the H.H. The Ruler of Dubai announced the establishment of the Dubai Council, with the objective to map out and oversee Dubai's vision for the next 50 years in the following six strategic growth pillars: (i) the economy; (ii) services for citizens; (iii) governmental development; (iv) infrastructure; (v) justice and security; and (vi) health and knowledge. The Dubai Council will also oversee the economic and social governance in Dubai to ensure its global competitiveness, economic leadership and attractiveness. The Dubai Council has approved a development plan with 50 goals in respect of the next five years, which will be announced in due course.

The Dubai Council is chaired by the H.H. The Ruler of Dubai, with H.H. Sheikh Hamdan bin Mohammed, Crown Prince of Dubai, and H.H. Sheikh Maktoum bin Mohammed, Deputy Ruler of Dubai, serving as first and second deputy chairs, respectively. The deputy chairs will oversee the vision of the Dubai Council and establish the developmental agenda to ensure the best quality of life for citizens and residents of Dubai and visitors to Dubai. Additionally, six commissioners-general have been appointed to oversee the strategic growth pillars.

The Dubai Council will oversee the launch of major projects in the Emirate, work on introducing new development sectors and foresee future global opportunities. The Dubai Council will also oversee the governance of the government and semi-government companies. In the meantime, the Executive Council will remain responsible for following up on the implementation of strategies, managing Government performance and ensuring high-quality services.

Each Dubai Council member will monitor the progress of a group of government entities and departments and follow up on the status of implementation of objectives. Advisory boards comprising seven members (from the public and private sector) shall be set up for each pillar, and will present ideas and suggestions and report observations to the Dubai Council on the work of each pillar to ensure transparency, consolidate the sense of responsibility and involve expertise in the decision-making process. Agreements shall be signed with Directors-General of Government departments in Dubai and approved by the Dubai Council, which will state the objectives and projects of every Government department.

International Relations

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

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

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

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

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

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

Organisation, the International Organisation for Industrial Development, the World Trade Organisation and the Asia Pacific Economic Cooperation.

The UAE has an ongoing dispute with the Republic of Iran and is in continuing discussions with the Kingdom of Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by the Republic of Iran. The UAE believes that these islands should be returned to the Emirate of Sharjah, which claims sovereignty over them, and is seeking to resolve the dispute through bilateral negotiations or a reference to international arbitration.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with the Kingdom of Saudi Arabia on the border between the two countries, which the UAE believes should be substantially amended. In addition, the UAE is involved in discussions with the governments of the Kingdom of Saudi Arabia and Qatar over a maritime corridor which Qatar has purported to grant to the Kingdom of Saudi Arabia, from within Qatar's own maritime waters, but which crosses part of the route of the gas pipeline between Qatar and the UAE. The UAE, along with other Arab states, is currently participating in a military intervention in the Republic of Yemen and is also a member of another military coalition formed in December 2015 to combat Islamic extremism and, in particular, the group known as Islamic State.

On 5 June 2017, three GCC countries, the Kingdom of Saudi Arabia, the UAE and Bahrain, as well as Egypt and Yemen, severed diplomatic ties with Qatar and also cut trade and transport links and imposed sanctions on Qatar. The stated rationale for such actions was Qatar's support of terrorist and extremist organisations and Qatar's interference in the internal affairs of other countries. There can be no assurance as to when diplomatic relations will be restored or when air, land and sea connections will be reopened with Qatar from these countries.

Measures taken in the UAE in response to the COVID-19 pandemic

Since December 2019, a significant increase in the number of cases of COVID-19 has been reported worldwide. Initially reported in China, COVID-19 has spread across other countries, resulting in reported infections and deaths in numerous countries. On 30 January 2020, the WHO declared COVID-19 a public health emergency of international concern and, on 11 March 2020, the WHO declared COVID-19 a global pandemic. The COVID-19 pandemic has caused significant disruption to the global economy and Dubai's economy and may cause further disruption. See "*Risk Factors— Factors that may affect the Guarantor's ability to fulfil its obligations under Notes issued under the Programme —Risk relating to Dubai, the UAE and the Middle East—ICD and the Group are subject to general political and economic conditions in Dubai, the UAE and the Middle East*". As a result of the COVID-19 pandemic, the Government has also revised its 2020 budget, resulting in a revised budget deficit of AED 11.9 billion for 2020.

In response to the COVID-19 pandemic, the UAE Federal Government and the Government implemented a number of measures with the aim of minimising the adverse impact and to mitigate the overall loss to the economy of the UAE and Dubai. To prevent community spread of the virus, the UAE Federal Government and the Government initially implemented necessary strict measures to restrict social gatherings and to maintain social distancing, including closing of all government offices, schools, colleges and universities, limiting shop opening hours, and imposing curfews. The UAE Federal Government also initially implemented a travel ban on non- Emirati residents, other than certain limited repatriation flights. A number of these precautionary and preventative measures have since been partially lifted and/or relaxed, including a gradual reopening of businesses and workplaces and the lifting of travel restrictions. On 21 June 2020, the Government announced that Dubai residents would be permitted to return to Dubai from 22 June 2020, Dubai residents would be permitted to travel abroad from 23 June 2020 and visitors and tourists would be permitted to enter Dubai from 7 July 2020, in each case, subject to certain precautionary measures, such as mandatory COVID-19 testing.

Commencing from 26 March 2020, the UAE Federal Government implemented a National Disinfection Programme, during which all residents of the UAE were required to stay at home, other than for essential services such as food and medicines, medical emergencies and testing for COVID-19. From 24 April 2020, the UAE Federal Government began to ease restrictions on individuals and businesses, opening shops and restaurants, shortening curfews, and permitting limited movement between households. Under the eased restrictions, malls and restaurants are permitted to operate at reduced capacity and subject to certain restrictions. The Government has also implemented a framework for the gradual return to normalcy in Dubai, under which the Government sector and certain private-sector businesses and services have already returned to full capacity and other sectors are gradually returning to full capacity in a phased manner. In the meantime, the Government has imposed strict operational guidelines across all sectors, including airports, transport, hotels, restaurants, retail, leisure and entertainment, in order to prevent, detect, isolate and monitor new cases of COVID-19.

The UAE health authorities have implemented extensive preventative measures to protect public health in line with the WHO's rules and regulations, including temporary field hospitals and the introduction of advanced testing capabilities. The Government has also established the Centre for Coronavirus Control, which is mandated to prepare strategic plans and recommendations to combat pandemics, including COVID-19, and develop a rapid intervention plan in coordination with competent bodies in the public and private sectors.

While the UAE Federal Government is working to support UAE nationals and residents abroad, it is also providing humanitarian assistance to other countries to help contain the spread of COVID-19. The UAE also launched the "10 Million Meals" campaign, the nation's largest food distribution drive, to support low-income families and individuals affected by COVID-19. In addition, the UAE Federal Government has passed a new law with the objective of organising food supplies in the event of crises, emergencies and disasters, and achieving food sustainability.

On 15 March 2020, the UAE Central Bank introduced a AED 100 billion Targeted Economic Support Scheme ("**TESS**") stimulus package, with the aim of providing temporary relief from the payments of principal and interest in respect of outstanding loans for all private sector companies. The TESS stimulus package comprises (i) an AED 50 billion fund distributed through zero per cent. interest collateralised loans for banks operating in the UAE, and (ii) freeing up AED 50 billion from banks' capital buffers to encourage further lending to private sector businesses in need of credit. The UAE Central Bank has also introduced a number of measures since the onset of the pandemic in order to mitigate the negative impact on the UAE banking and financial system. The federal authorities in the UAE have also published new guidance and legislation to support private sector employers against the backdrop of the COVID-19 pandemic, including two UAE ministerial resolutions covering redundancy, restructuring and remote working in March 2020.

On 12 March 2020, the Government announced its own AED 1.5 billion, three-month stimulus package for Dubai, comprising 15 key initiatives intended to aid Dubai's businesses to navigate the potential impact of COVID-19, including reducing customs fees and municipality fees. On 29 March 2020, the Dubai Free Zones Council announced a AED 3.3 billion stimulus package, which included temporary rebates and/or deferments on licencing, registration and visa fees and rental payments in Dubai's free zones. On 11 July 2020, the Government announced an additional AED 1.5 billion stimulus package for Dubai, comprising 18 key initiatives including the waiver and/or reduction of certain penalties, the return of financial guarantees for construction sector activities, and a temporary 50 per cent. refund of municipality and tourist fees to restaurants and hotels. Together, these three stimulus packages for Dubai amounted to an aggregate of AED 6.3 billion.

As a result of the COVID-19 pandemic, the Bureau International des Expositions member states voted to confirm a one-year postponement to Dubai Expo 2020. The event will now run from 1 October 2021 to 31 March 2022.

TAXATION

The following is a general description of certain tax considerations relating to Notes issued under the Programme. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Notes, including, but not limited to, the consequences of receipt of payments under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

The Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on the Notes to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Notes, nor will gains derived from the disposal of Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

The Issuer has obtained an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, that for a period of 20 years from 18 February 2014, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Notes) of the Issuer or by way of the withholding in whole or part of any relevant payment. Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Notes. The Notes themselves (if issued in bearer form) will be stampable if they are executed in or brought into the Cayman Islands. An instrument transferring title to Notes issued in registered form, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Issuer to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

United Arab Emirates

*The following is a general summary of the current tax law and practice in Dubai and the UAE (to the extent applicable in Dubai) ("**Dubai Law**") and does not constitute legal or tax advice. Prospective investors in the Notes are advised to consult their own tax advisers with respect to the tax consequences under the tax laws of the country in which they are resident, of the purchase ownership or disposition of the Notes or any interest therein.*

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments on profit and principal to any holder of the Notes (including in relation to the Notes or under the Guarantee). In the event of the imposition of any withholding, the Issuer and/or the Guarantor has undertaken to gross-up any payments subject to certain limitations, as described in Condition 8.

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

The UAE has entered into double taxation arrangements with certain other countries.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to sections 1471 to 1474 (inclusive) of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the UAE) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which the final regulations defining "foreign passthru payment" are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register (the "grandfathering date") generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under Condition 17) that have the same ISIN as the previously issued Notes and are not otherwise distinguishable from previously issued Notes are issued after the expiration of the grandfathering date and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering date, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts or indemnify any person as a result of any FATCA withholding.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 23 September 2020 (the "**Programme Agreement**"), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Selling and Transfer Restrictions

United States

Neither the Notes nor the Guarantee have been or will be registered under the Securities Act nor any state securities laws and may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state of the United States.

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer, sell or deliver any Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, U.S. persons.

Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to any Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act. Each purchaser of any Notes and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes will be deemed to have represented, warranted, agreed and acknowledged that:

1. it is, or at the time the Notes are purchased will be, the beneficial holder of such Notes and it has acquired the Notes in an offshore transaction (within the meaning of Regulation S); and

2. it understands that the Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.

Bearer Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Prohibition of Sales to EEA and UK Retail Investors

Unless the applicable Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to any retail investor in the EEA or in the UK. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Public Offer Selling Restriction under the Prospectus Regulation

If the applicable Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Member State of the EEA and the UK (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Relevant State, except that it may make an offer of such Notes to the public in that Relevant State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation; or

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer and/or the Guarantor for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer, the Guarantor or any Dealer to publish a base prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a base prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for Notes.

United Kingdom

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

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

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

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer or invitation, whether directly or indirectly, has been or will be made to the public in the Cayman Islands to subscribe for or purchase any Notes and this Base Prospectus shall not be construed as an invitation to the public of the Cayman Islands to subscribe for or purchase any Notes. This Base Prospectus has not been filed with or reviewed by the Cayman Islands Monetary Authority or any other regulatory authority in the Cayman Islands, and no such authority in the Cayman Islands accepts any liability for the content hereof. This Base Prospectus may not be circulated in or into the Cayman Islands or made available to the general public in the Cayman Islands. The Notes may not be transferred or sold to or purchased by any member of the general public in the Cayman Islands.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

United Arab Emirates (excluding the Dubai International Financial Centre)

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

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT Module) of the rulebook of the DFSA (the "**DFSA Rulebook**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the Capital Market Authority resolution number 1-104-2019 dated 30 September 2019 (the

"**KSA Regulations**"), made through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes by it to a Saudi Investor will be made in compliance with Article 11 and either Article 9 or Article 10 of the KSA Regulations.

The offer of the Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and:

(a) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations);

(b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or

(c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more (excluding that person's principal place of residence);

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Base Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Hong Kong

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

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy and sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Malaysia

Each Dealer has acknowledged, that this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**").

Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase any Notes has or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part 1 of Schedule 6 (or Section 229(1)(b)), Part 1 of Schedule 7 (or Section 230(1)(b)) and Schedule 8 or Section 257(3) of the CMSA read together with Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, Securities Commission Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

Taiwan

Each Dealer has represented and agreed that the Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional institutional investors" as defined under Paragraph 2, of Article 4 of the Financial Consumer Protection Act of the Republic of China ("**ROC**"), which currently includes overseas and domestic (i) banks, securities firms, futures firms and insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further described in greater detail in Paragraph 3 of Article 2 of the Organisation Act of the Financial Supervisory Commission, (ii) fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Future Trading Act or the ROC Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers, and (iii) other institutions recognised by the Financial Supervisory Commission of the ROC.

General

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about and observe any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of any Notes.

With regard to each Series, the relevant Dealer will be required to comply with such other restrictions as the Issuer, the Guarantor and the relevant Dealer shall agree and as shall be set out in the subscription agreement or dealer accession letter, as applicable.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by resolutions of the board of directors of the Issuer dated 22 September 2020. The giving of the Guarantee has been duly authorised by a written resolution of the Board dated 15 September 2020.

Legal Entity Identifiers

The Legal Entity Identifier (LEI) code of the Issuer is 635400ND71SBRGJJVF09.

The Legal Entity Identifier (LEI) code of the Guarantor is 6354001CBBZXJHDGZY76.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to be admitted to trading on the Regulated Market.

Application has also been made to the DFSA for Notes issued under the Programme to be admitted to the DFSA Official List. The Programme is expected to the admitted to the DFSA Official List on or about 23 September 2020. An application may be made for any Tranche of Notes to be admitted to trading on Nasdaq Dubai.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

Documents Available

For the life of this Base Prospectus, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available: (i) during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of each of the Issuer and the Guarantor and from the specified office of the Paying Agent for the time being in London; and (ii) on the website of the Guarantor (https://www.icd.gov.ae/investor-relations/):

(a) the Memorandum and Articles of Association of the Issuer and Law No. (11) of 2006 (the "**Decree**") issued by H.H. Sheikh Mohammed Bin Rashid Al Maktoum as Ruler of Dubai establishing the Guarantor (with an English translation thereof). The English translation of the Decree is direct and accurate. However, in case of conflict or discrepancy between the Arabic version of the Decree and its English translation, the Arabic version of the Decree shall prevail;

(b) the Financial Statements;

(c) the most recently published consolidated audited financial statements of the Guarantor and unaudited condensed consolidated interim financial statements (if any) of the Guarantor, in each case together with any audit or review reports prepared in connection therewith. The Guarantor currently prepares unaudited consolidated interim accounts for the first six months of each year. The Issuer is not required to publish any interim financial statements under Cayman Islands law;

(d) the Trust Deed;

(e) a copy of this Base Prospectus; and

(f) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated by reference herein or therein.

This Base Prospectus and each Final Terms relating to Notes which are admitted to trading on the regulated market of Euronext Dublin will be available for viewing on the website of Euronext Dublin (*www.ise.ie*). This Base Prospectus and each Final Terms relating to Notes which are admitted to trading on Nasdaq Dubai will be available for viewing on the website of Nasdaq Dubai (*www.nasdaqdubai.com*).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code, ISIN, Financial Instrument Short Name ("**FISN**") and the Classification of Financial Instruments ("**CFI**") code for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial performance or financial position of the Issuer and no material adverse change in the prospects of the Issuer, in each case, since the date of its incorporation.

Save as disclosed in "*Description of ICD and the Group – Recent Developments – Impact of COVID-19*", there has been no significant change in the financial performance or financial position of the Guarantor or of the Group since 31 December 2019 and there has been no material adverse change in the prospects of the Guarantor or of the Group since 31 December 2019.

Litigation

None of the Issuer, the Guarantor or any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

Auditors

The Issuer is not required by Cayman Islands law, and does not intend to publish audited financial statements or appoint any auditors.

The auditors of the Guarantor are PricewaterhouseCoopers (Dubai Branch) ("**PwC**") and their business address is Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, United Arab Emirates. PwC were appointed as auditors of the Guarantor with effect from 1 January 2019 and have audited, in accordance with International Standards on Auditing, the Guarantor's consolidated financial statements as of and for the year ended 31 December 2019 as stated in their unqualified auditor's report appearing in this Base Prospectus.

PwC is a registered audit firm in the UAE, operating under professional licences issued by the Dubai Economic Department and the UAE Ministry of Economy. There is no professional institute of auditors in the UAE and, accordingly, PwC is not a member of a professional body in the UAE. All PwC partners directly involved in the audit are members of the institutes from where they received their professional qualification.

Previously, the auditors of the Guarantor were Ernst & Young Middle East (Dubai Branch) ("**EY**") and their business address is 28th Floor, Al Attar Business Tower, Sheikh Zayed Road, P.O. Box 9267, Dubai, United Arab Emirates. EY were appointed as auditors of the Guarantor on 18 June 2017 and have audited, in accordance with International Standards on Auditing, the Guarantor's consolidated financial statements as of and for the year ended 31 December 2018 as stated in their unqualified auditor's report appearing in this Base Prospectus.

EY is regulated in the UAE by the UAE Ministry of Economy which has issued EY with a license to practice as auditors. There is no professional institute of auditors in the UAE and, accordingly, EY is not a member of a professional body in the UAE. All of EY's audit partners are members of the institutes from where they received their professional qualification.

Validity of this Base Prospectus

For the avoidance of doubt, neither Issuer nor the Guarantor shall have any obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies after the end of its 12 month validity period.

Post-Issuance Information

Save as set out in the applicable Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Guarantor's Website

The Guarantor's website is www.icd.gov.ae. Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus. Any website referred to in this document does not form part of the Base Prospectus and has not been scrutinised or approved by the CBI.

Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Law, 2017 of the Cayman Islands (the "**DPL**") on 18 May 2017 which was brought into force on 30 September 2019. The DPL introduces legal requirements for the Issuer based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Notes and the associated interactions with the Issuer and its affiliates and/or delegates, or by virtue of providing the Issuer with personal information on individuals connected with the investor (for example directors, Issuers, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Issuer and its affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPL. The Issuer shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

By investing in the Note, the Noteholders shall be deemed to acknowledge that they have read in detail and understood the Privacy Notice (a copy of which may be requested from the Issuer by email at legaldept@icd.gov.ae) and that such Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Notes.

Oversight of the DPL is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPL by the Issuer could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

Dealers Transacting with the Issuer and the Guarantor

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

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/ or instruments of the Issuer, the Guarantor or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer, the Guarantor or their respective affiliates, routinely hedge their credit exposure to the Issuer or the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of the Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Trustee's Action

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed under certain circumstances to take the relevant action directly.

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Independent auditor's report to the Owner of Investment Corporation of Dubai

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Investment Corporation of Dubai ("ICD" or the "Corporation") and its subsidiaries (together, the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2019;
- the consolidated statement of comprehensive income for the year ended 31 December 2019;
- the consolidated statement of financial position as at 31 December 2019;
- the consolidated cash flow statement for the year ended 31 December 2019;
- the consolidated statement of changes in equity for the year ended 31 December 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach

Overview

Group scoping	Based on size, complexity and risk, we considered the Corporation's standalone operations and its subsidiaries, associates and joint ventures to identify significant components to be in scope for our audit of the Group. In determining the significant components, we considered the financial significance besides the qualitative risk profiles. We also determined a number of other components to be in scope for the Group audit, in respect of which appropriate audit procedures were performed.
Key audit matters	- Loan loss impairments - Estimation uncertainty with respect to expected credit losses for loans and receivables and Islamic financing and investment products - Concentration of related party balances - Acquisition of DenizBank A.Ş. - Passenger and cargo revenue recognition - Lease accounting and the impact of transition to IFRS 16 - Valuation of aircraft held for lease (as lessor)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

In addition to the Corporation's standalone operations, the Group has a number of subsidiaries, associates and joint ventures that are significant to the Group's consolidated financial statements. The diversity of industries and decentralised structure of the Group increases the complexity of the Group's control environment and affects our ability as Group auditor to obtain an appropriate level of understanding of these components including the assessment of risk of material misstatement.

We obtained an understanding of management's consolidation process and consolidation adjustments. Through our risk assessment, we scoped significant components based on their financial significance and risk profile, including whether the component accounted for a significant proportion of individual consolidated financial statement line items. We obtained full scope audit opinions from component auditors for the significant components. We also requested certain other component auditors to perform audit procedures on components based on qualitative and quantitative considerations, including whether the component accounted for a significant proportion of individual consolidated financial statement line items.

We were in regular dialogue throughout the year with component auditors. This included providing detailed instructions to them covering significant areas, risks to be audited and the materiality levels to be used by each component. We obtained regular updates on progress and results of procedures through review of deliverables and the underlying work papers, as appropriate.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Loan loss impairments - Estimation uncertainty with respect to expected credit losses for loans and receivables and Islamic financing and investment products Loans and receivables and Islamic financing and investment products of the Group's banking component, Emirates NBD Bank PJSC and its subsidiaries (the "Bank"), represent a significant part of the total assets of the Group. The assessment of the Bank's determination of impairment allowances for loans and receivables and Islamic financing and investment products requires management to make judgments over the staging of financial assets and measurement of Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality of the loans and receivables and Islamic financing and investment products and the complexity of the judgments, assumptions and estimates used in the ECL models. Refer to note 2.4 of the consolidated financial statements for the accounting policies and note 37.1 for the credit risk disclosure.	- An understanding was gained of the loan origination process, credit risk management process and the estimation process of determining impairment allowance for loans and receivables and Islamic financing and investment products. The operating effectiveness of relevant controls within these processes were tested. - On a sample basis, selected individual loans and performed a detailed credit review and challenged the Bank's identification of SICR (Stage 2), the assessment of credit-impaired classifications (Stage 3) and whether relevant impairment events had been identified in a timely manner. Challenged the assumptions underlying the impairment allowance calculation, such as estimated future cash flows, collateral valuations and estimates of recovery. Evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls that form part of the approval process for loan impairment allowances. - Evaluated key assumptions such as thresholds used to determine SICR and forward looking macroeconomic scenarios including the related weightings. - For loans tested collectively, evaluated controls over the modelling process and validation and approval. Tested controls over model outputs. Challenged key assumptions and inspected the calculation methodology. - Tested the relevant IT application controls used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. Evaluated system-based and manual controls over the recognition and measurement of impairment allowances.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Loan loss impairments - Estimation uncertainty with respect to expected credit losses for loans and receivables and Islamic financing and investment products (continued)	
The material portion of the non-retail portfolio of loans and receivables and Islamic financing and investment products is assessed individually for the significant increase in credit risk (SICR) and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgment may also be involved in manual staging movements as per the Bank's policies. The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the model. It is important that models are valid throughout the reporting period and are subject to a validation process by an independent reviewer.	- Evaluated post model adjustments and management overlays in order to assess the reasonableness of these adjustments. Further assessed the reasonableness of forward looking information incorporated into the impairment calculations by involving auditor's specialists to challenge the multiple economic scenarios chosen and weightings applied to capture non-linear losses. - The Bank performed an external validation of the probability of default (PD) and loss given default (LGD) models including the macroeconomic model during the reporting period. Considered the process of this external validation of the models and its impact on the results of the impairment estimate. - Updated our assessment of the methodology and framework designed and implemented by the Bank as to whether the impairment models' outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Bank to determine future economic conditions at the reporting date.
Concentration of related party balances Concentration of related party balances as at 31 December 2019 are disclosed in note 36 to the consolidated financial statements, which discloses the Bank's exposure to the Government of Dubai (the "Government"). We focused on this area due to the concentration of balances with related parties. Further, there is also significant management judgment that is required to determine the extent of disclosures under IFRS 7 'Financial Instruments: Disclosures' and IAS 24 'Related Party Disclosures'.	- Obtained from those charged with governance of the Bank, management information identifying all known related parties. - Evaluated and tested key controls of the Bank over the identification and monitoring of related party transactions. - Evaluated and tested key controls of the Bank over the initial recording and monitoring of loans. - Reviewed minutes of board and management meetings of the Bank to determine if there were any related party transactions not previously identified. - Vouched individual related party transactions of the Bank on a sample basis to supporting documentation.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Concentration of related party balances (continued)	
IFRS 7 requires that specific information be disclosed for each type of risk arising from financial instruments. These include qualitative disclosures around how exposures arise and how they are measured and managed, summary quantitative data about an entity's exposure to each type of risk, and information about an entity's credit risk exposure, including significant credit risk concentrations. In addition, for government-controlled entities such as ICD, disclosure is required under IAS 24 'Related Party Disclosures' of a qualitative or quantitative indication of the extent of transactions with government entities.	- Evaluated the adequacy of the disclosures by assessing whether a reasonable user of the consolidated financial statements could understand the exposure of the Group to concentration and related risks, and by considering the ability of such a user to reasonably estimate the extent of transactions with the Owner, including the income arising from the material balance due from the Owner, based on the disclosures provided in note 36. We also sighted the original written confirmation of this balance as at 31 December 2019.
Acquisition of DenizBank A.Ş. During the year, the Bank completed the acquisition of a controlling stake of 100% in DenizBank A.Ş. for a consideration of AED 10,015 million. The cost of the acquisition was accounted for by determining the fair value of assets and liabilities acquired, including intangible assets and gain on bargain purchase. This acquisition resulted in the recognition of intangible assets of AED 1,029 million and gain on bargain purchase of AED 92 million. The fair values of net assets acquired are provisional and subject to potential adjustment. The Bank has undertaken a purchase price allocation as required by IFRS 3 'Business Combinations'. This included complex valuation considerations and required the use of specialists.	- Confirmed the effective date of the acquisition in accordance with the requirements of IFRS 3 by inspecting the salient terms and conditions of the purchase agreement. - Reviewed the sale and purchase agreements for the acquisition and assessed the acquisition accounting, tested the validity and completeness of consideration and evaluated management's assumptions and methodology supporting the fair values of net assets acquired including intangibles. - The audit procedures also included an assessment of the competency of the external expert used by the Bank to value the net assets acquired. Auditor's valuation specialists were engaged to challenge and corroborate the work of the external expert using market data and information from similar transactions.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of DenizBank A.Ş. (continued)	
The process of determining the value of intangible assets requires the use of multiple estimates, in particular: • the allocation of the purchase price; • the opening statement of financial position, considering fair value adjustments recognised; • the identification of intangible assets; and • the useful economic lives used in amortising intangible assets. Due to the size and complexity of the acquisition, we considered this to be a key audit matter. Refer to note 2.4 to the consolidated financial statements for the accounting policy and note 9 for the acquisition disclosure.	
Passenger and cargo revenue recognition Emirates, one of the Group's components operating in the aviation sector, provides commercial air transportation services, which include passenger and cargo services. Emirates contributes a significant portion of the total consolidated revenue of the Group. When a flight booking is made, passenger and cargo revenue is measured based on the sales price to the customer and allocated to each performance obligation under the contract. Revenue is initially deferred in the consolidated statement of financial position and subsequently recognised in the consolidated income statement when the related performance obligation has been fulfilled (typically when a passenger or the cargo has flown).	- Performed end-to-end walkthroughs of the finance and operational processes surrounding the revenue system, utilising understanding of the industry and the aviation sector, to assess the design effectiveness of the related key internal controls and identify changes, if any. - Tested the operating effectiveness of these controls to obtain sufficient, appropriate evidence that they operated throughout the year as intended. - Tested key IT systems, including interfaces that impact the recognition of revenue from passenger and cargo sales, IT change control procedures and related application controls. - Applied computer assisted audit techniques over passenger and cargo revenue to identify and test unexpected entries and correlate revenue movements during the year to accounts receivable and cash. - Substantively tested a sample of revenue from passenger and cargo sales at a booking and flight level to validate occurrence and cut-off of revenue.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Passenger and cargo revenue recognition (continued)	
The determination of the amount of revenue to be recognised for each flight requires complex IT systems and involves the exchange of information with industry systems and other airlines for a high volume of transactions. The accounting for passenger and cargo revenue is susceptible to management override of controls through the recording of manual journals in the accounting records, the override of IT systems to accelerate revenue recognition, or the manipulation of inputs used to calculate revenue recorded in respect of unused revenue documents. The timing of revenue recognition for unused revenue documents requires judgment due to the timeframe over which revenue documents can be utilised and the large number of fare types sold. Management has determined the value of unused revenue documents that will not be utilised based on their terms and conditions and historical expiry trends. We focused on this area as a result of the complexity of the related IT systems, the potential for management override of controls and the level of judgment required by management in determining the timing of recognition of unused revenue documents, in addition to the significance of the revenue from Emirates to the Group. Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to revenue recognition of airlines and note 2.5, which contains the disclosure of significant accounting judgments and estimates relating to the passenger and cargo revenue recognition.	- Tested manual journal entries posted into relevant revenue accounts in the sub-ledgers and the general ledger. - Obtained data supporting historical expiry trends in respect of unused revenue documents. The accuracy of historical expiry data was tested and compared to that used in the calculation of the amount of revenue recognised from unused revenue documents. - Assessed whether the related disclosures in the notes to the consolidated financial statements are consistent with the requirements of IFRS.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Lease accounting and the impact of transition to IFRS 16 The Group adopted the new accounting standard IFRS 16 'Leases' from 1 January 2019. The new standard replaces IAS 17 and requires almost all leases to be recognised on the balance sheet by a lessee, as the distinction between operating and finance leases has been removed. Under IFRS 16, an asset (right-of- use) and a financial liability to pay rentals is recognised. Leases are capitalised as right-of-use assets based on the present value of the lease payments and are typically depreciated over the lease term. Interest on the outstanding financial liability to pay rentals is recognised at a constant rate over the lease term. The Group applied the modified retrospective approach for the conversion to IFRS 16 and accordingly, the comparative figures were not restated. The cumulative effect of the adoption of the new standard was recognised as an adjustment to opening equity as at 1 January 2019. The first-time application of IFRS 16 resulted in a material impact on the opening consolidated statement of financial position including recognising right-of-use assets of AED 70,921 million and lease liabilities of AED 67,416 million (refer to note 2.2 of the consolidated financial statements for full details). Emirates contributes the majority of the first-time application effect on right-of-use assets and lease liabilities.	- Obtained an understanding of leases held by Emirates, including the process of identifying lease contracts and other contracts that contain lease elements. - Obtained an understanding of the processes around the new IT system implemented and determined that a substantive approach to testing of leases was to be adopted. - Tested the calculation of the initial recognition of the right-of-use assets and lease liabilities by reference to a sample of leases, agreeing the lease terms (including advance lease rentals, deferred credits, pre-delivery payments, initial direct costs, fixed payments, variable payments, residual value guarantees and termination costs) back to the lease contract and re-performing the calculation of the opening adjustment. Also assessed the appropriateness of the discount rate applied at the date of initial application (the incremental borrowing rate). - Tested a sample of leases entered into during the year and assessed the accounting impact of new leases by agreeing the lease terms used in the computations back to the lease contract. Also assessed the appropriateness of the discount rates applied (either the incremental borrowing rate or the interest rate implicit in the lease, where determinable). - Tested the interest expense generated by the lease liabilities and the depreciation of the right-of-use assets. - Assessed whether the related disclosures in the notes to the consolidated financial statements are consistent with the requirements of IFRS.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Lease accounting and the impact of transition to IFRS 16 (continued)	
Accounting for leases under IFRS 16 involves the use of judgments, estimates and assumptions that impact the amounts recognised as right-of-use assets, lease liabilities and provision for return conditions. Key amongst these assumptions and estimates are the: • assessment of lease term and extension options; • discount rate used to determine the lease liability; • application of clauses for cancellations or modifications; and • estimate of the provision for aircraft return conditions. Emirates has established processes and controls for the complete and accurate recording of leases. Furthermore, the first-time application required an IT system to be implemented to report information on certain leases. We focused on this area because of the significant judgment involved in determining the assumptions being applied under IFRS 16. Refer to notes 2.2, 10, 11, 17 and 28 which include details of the effect of first-time application of IFRS 16.	
Valuation of aircraft held for lease (as lessor) The Group's component, Dubai Aerospace Enterprises Limited (DAE), is engaged in providing aircraft on leases. DAE has aircraft held for lease with an aggregate carrying value of AED 33.8 billion as at 31 December 2019.	- Obtained the impairment assessment prepared by management, together with the supporting documentation and underlying assumptions. - Confirmed the net book values of aircraft used in the impairment assessment with the fixed asset register.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of aircraft held for lease (as lessor) (continued)	
DAE has undertaken an impairment assessment, comparing the carrying value of aircraft to their estimated recoverable value, which is the higher of fair value less costs to sell or value-in-use. In order to assess fair value less cost to sell, management obtained aircraft valuations from external aviation consultancies and considered the average of these valuations. In order to assess value-in-use, management prepared a discounted cash flow forecast that contains significant judgment and assumptions. The key assumptions and judgments adopted are: • the discount rate applied to forecasted cash flows; • estimates relating to the period between lease rentals and the value of future, non-contracted lease rentals which are assessed against rates published by external aviation consultancies; and • assumed end of life aircraft valuation as the average of rates published by external aviation consultancies. We considered this as a key audit matter because of the level of management judgment required and the sensitivity of the assessment to key assumptions. Refer to the note 2.4 to the consolidated financial statements for the significant accounting policy relating to property, plant and equipment (which includes aircraft held for lease), note 2.5 which contains the disclosure of significant accounting judgments and estimates relating to impairment of aircraft held for lease and note 10 which contains the details of property, plant and equipment (which includes aircraft held for lease).	- Directly confirmed the market values used by DAE's management with external aviation consultancies on a sample basis. The external valuer's competence, capabilities and objectivity were also evaluated. - Agreed the contractual lease rentals assumed within DAE's management's value in use calculation to lease contracts currently in place. - Utilised internal valuation specialists to validate and verify that the discount rate adopted within the value in use model was reasonable, by comparing the discount rate used to other comparable businesses. - Confirmed the reasonableness of estimates relating to the period between lease rentals and anticipated values of future non-contracted lease rentals with senior operational personnel of DAE. - Confirmed the future non-contracted lease rentals with external aviation consultancies on a sample basis. - Agreed the end of aircraft lease life valuation within the value in use calculation to reports issued by external aviation consultancies and mathematically recomputed the average rates. - Tested the mathematical accuracy of the overall calculations within the impairment assessment prepared by DAE management. - Considered management's assessment of the potential impact of reasonably possible downside changes in key assumptions and sensitivity analysis performed to assess the financial impact of changes in key assumptions. - Assessed whether the related disclosures in the notes to the consolidated financial statements are consistent with the requirements of IFRS.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
6 May 2020

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

	Notes	*2019* *AED'000*	*2018* *AED'000*
Revenue	38	**228,011,030**	232,434,776
Cost of revenue		**(181,205,566)**	(195,475,149)
Other operating income	3	**5,901,828**	4,564,736
Net (loss) / gain from derivative instruments		**(1,756,384)**	1,009,152
General, administrative and other expenses		**(20,592,628)**	(19,860,064)
Net impairment losses on financial assets	4	**(5,091,749)**	(2,080,467)
OPERATING PROFIT		**25,266,531**	20,592,984
Other finance income	5	**1,769,523**	2,154,278
Other finance costs	6	**(9,735,495)**	(5,967,870)
Share of results of associates and joint ventures - net	15	**3,825,721**	4,727,224
Other income	9(a) & 15(a)	**4,797,573**	771,427
PROFIT FOR THE YEAR BEFORE INCOME TAX	38	**25,923,853**	22,278,043
Income tax expense - net	7	**(926,338)**	(886,958)
PROFIT FOR THE YEAR	8	**24,997,515**	21,391,085
Attributable to:			
The equity holder of Investment Corporation of Dubai ("ICD")		**17,985,319**	16,252,292
Non-controlling interests		**7,012,196**	5,138,793
		24,997,515	21,391,085

	Notes	***2019 AED'000***	*2018 AED'000*
PROFIT FOR THE YEAR		**24,997,515**	21,391,085
Other comprehensive income			
Items that may be reclassified to consolidated income statement in subsequent periods:			
Net movement in fair value of debt instruments measured at fair value through other comprehensive income ("FVOCI")		**310,935**	(38,931)
Net movement in fair value of cash flow hedges		**196,818**	(20,517)
Net movement in cost of hedging		**16,162**	(16,703)
Foreign currency translation differences - net		**(465,522)**	(247,479)
Group's share in other comprehensive income of equity accounted investees	15	**(116,981)**	(399,482)
Items not to be reclassified to consolidated income statement in subsequent periods:			
Net movement in fair value of equity instruments measured at FVOCI		**203,239**	(885,157)
Actuarial (loss) / gain on defined benefit plans	27	**(251,991)**	52,593
Group's share in other comprehensive income of equity accounted investees	15	**(159,916)**	(141,762)
Other comprehensive income for the year		**(267,256)**	(1,697,438)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**24,730,259**	19,693,647
Attributable to:			
The equity holder of ICD		**17,887,552**	14,680,253
Non-controlling interests		**6,842,707**	5,013,394
		24,730,259	19,693,647

	Notes	***2019 AED'000***	*2018 AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**177,065,885**	179,176,581
Right-of-use assets	11	**62,052,088**	-
Intangible assets	12	**28,595,202**	26,432,579
Investment properties	13	**23,496,987**	19,780,074
Development properties	14	**3,535,606**	2,536,527
Investments in associates and joint ventures	15	**53,250,910**	52,993,913
Investment securities	16	**47,271,737**	24,432,482
Other non-current assets	17	**7,540,012**	16,083,257
Islamic financing and investment products	20	**28,531,651**	24,016,824
Loans and receivables	21	**136,977,692**	91,576,692
Cash and deposits with banks	22	**5,271,928**	2,746,014
Positive fair value of derivatives	29	**5,642,225**	2,298,225
Deferred tax assets	7	**1,086,404**	227,815
		580,318,327	442,300,983
Current assets			
Investment securities	16	**18,362,925**	5,122,734
Inventories	18	**12,432,406**	11,329,371
Trade and other receivables	19	**39,019,679**	34,848,080
Islamic financing and investment products	20	**42,876,527**	47,009,226
Loans and receivables	21	**244,140,482**	182,636,563
Cash and deposits with banks	22	**170,346,193**	144,301,634
Positive fair value of derivatives	29	**2,514,264**	2,027,505
Customer acceptances		**10,227,557**	7,736,164
		539,920,033	435,011,277
Assets classified as held for sale	23	**1,078,190**	1,915,057
		540,998,223	436,926,334
TOTAL ASSETS		**1,121,316,550**	879,227,317

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2019

	Notes	*2019 AED'000*	*2018 AED'000*
EQUITY AND LIABILITIES			
Equity attributable to the equity holder of ICD			
Capital	24	**68,185,180**	64,569,417
Retained earnings		**127,356,815**	124,633,708
Other reserves	26	**9,096,003**	8,454,487
		204,637,998	197,657,612
Non-controlling interests	34	**46,934,705**	40,109,905
Total equity		**251,572,703**	237,767,517
Non-current liabilities			
Employees' end of service benefits	27	**4,465,484**	3,901,593
Borrowings and lease liabilities	28	**210,946,067**	162,368,999
Negative fair value of derivatives	29	**4,613,338**	2,016,038
Other non-current payables	30	**12,611,541**	11,481,644
Customer deposits	32	**21,630,971**	9,299,577
Islamic customer deposits	33	**7,770,038**	438,635
Deferred tax liabilities	7	**2,301,472**	1,840,725
		264,338,911	191,347,211
Current liabilities			
Employees' end of service benefits	27	**12,540**	14,139
Borrowings and lease liabilities	28	**91,351,050**	53,083,439
Negative fair value of derivatives	29	**1,746,968**	1,880,089
Trade and other payables	31	**73,535,436**	63,895,713
Customer deposits	32	**351,513,382**	270,160,082
Islamic customer deposits	33	**76,331,870**	52,422,284
Current income tax liabilities		**465,714**	476,383
Customer acceptances		**10,227,557**	7,736,164
		605,184,517	449,668,293
Liabilities related to assets classified as held for sale	23	**220,419**	444,296
		605,404,936	450,112,589
Total liabilities		**869,743,847**	641,459,800
TOTAL EQUITY AND LIABILITIES		**1,121,316,550**	879,227,317

Director

Director

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

	Notes	*2019* *AED'000*	*2018* *AED'000*
OPERATING ACTIVITIES			
Profit before income tax		**25,923,853**	22,278,043
Adjustments for:			
Depreciation and impairment charge on property, plant and equipment, right-of-use assets, investment properties and development properties	8	**27,378,370**	16,012,186
Amortisation and impairment charge on intangible assets and release of advance lease rental	8	**1,798,760**	1,591,645
Impairment loss on loans and receivables – net of recoveries	4	**4,332,473**	1,595,748
Impairment loss on Islamic financing and investment products – net of recoveries	4	**818,475**	564,839
Impairment (reversal) / loss on investment securities - net	4	**(10,532)**	16,442
Impairment loss on trade and other receivables – net of recoveries	4	**204,230**	240,072
Impairment loss on other non-current assets – net of recoveries	4	**15,127**	10,020
Impairment (reversal) / loss on cash and deposits with banks - net	4	**(20,897)**	49,914
Net loss / (gain) on disposal of property, plant and equipment, right-of-use assets, investment properties, intangible assets and sale and leaseback of aircraft	3	**36,884**	(534,039)
Net gain on disposal of assets and liabilities classified as held for sale	3	**(278,572)**	(120,569)
Net gain on sale of debt instruments measured at FVOCI	3	**(79,001)**	(11,828)
Net change in fair value of investment securities measured at fair value through profit or loss ("FVTPL")	3	**(108,620)**	309,169
(Reversal of) / Provision for slow moving and obsolete inventories		**(1,149,408)**	1,181,263
Other finance income	5	**(1,769,523)**	(2,154,278)
Other finance costs	6	**9,735,495**	5,967,870
Other income	9(a) & 15(a)	**(4,797,573)**	(771,427)
Share of results of associates and joint ventures - net	15	**(3,825,721)**	(4,727,224)
Provision for employees' end of service benefits	27	**1,367,798**	1,406,782
Unrealised loss / (gain) on derivatives - net		**999,000**	(1,074,394)
		60,570,618	41,830,234
Changes in:			
Inventories		**265,183**	(1,336,272)
Trade and other receivables		**(2,578,243)**	1,796,238
Trade and other payables		**4,880,123**	2,388,582
Loans and receivables (banking operations)		**(23,094,245)**	(21,051,857)
Statutory deposits (banking operations)		**1,504,732**	(153,286)
Deposits with banks with original maturity over three months (banking operations)		**(1,283,698)**	(19,399,588)
Customer deposits including Islamic customer deposits (banking operations)		**25,994,683**	20,385,635
Due to banks with original maturity over three months (banking operations)		**13,087,642**	362,295
Fair value of derivatives - net		**(1,712,386)**	1,040,111
Islamic financing and investment products with original maturity over three months (banking operations)		**(2,909,843)**	(3,392,808)
Other non-current assets		**3,792,118**	3,085,640
Other non-current payables		**(63,315)**	(722,195)
		78,453,369	24,832,729

	Notes	***2019*** ***AED'000***	*2018* *AED'000*
OPERATING ACTIVITIES (continued)			
Employees' end of service benefits paid	27	**(1,146,749)**	(1,112,552)
Income tax paid		**(428,944)**	(565,011)
Foreign exchange and other movements		**(575,206)**	(252,460)
Net cash from operating activities		**76,302,470**	22,902,706
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		**(29,929,340)**	(23,837,178)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties and development properties		**1,403,631**	3,476,308
Acquisition of subsidiaries – net of cash acquired		**(3,821,709)**	(561,472)
Proceeds from disposal of investments in associates and joint ventures		**4,522,895**	1,050,219
Proceeds from disposal of assets and liabilities classified as held for sale		**3,077,779**	2,867,617
Other finance income received		**1,703,851**	1,418,081
Net movement in investment securities		**(20,696,582)**	(1,599,768)
Investments made in associates and joint ventures		**(456,619)**	(1,821,587)
Dividend from associates and joint ventures	15	**2,280,617**	2,532,299
Net movement in Islamic financing and investment products with original maturity over three months (non-banking operations)		**(911,678)**	(3,195,601)
Net movement in deposits with banks with original maturity over three months (non-banking operations)		**(5,196,098)**	6,187,615
Net cash used in investing activities		**(48,023,253)**	(13,483,467)
FINANCING ACTIVITIES			
Capital contributions from the Government of Dubai (the "Government")	24	**3,615,763**	19,381
Repayment of Tier 1 Capital Notes	34(a)	**(3,672,500)**	-
Issuance of Tier 1 Capital Notes	34(a)	**3,663,696**	-
Interest on Tier 1 Capital Notes		**(664,786)**	(595,284)
Distributions paid to the Government		**(4,988,174)**	(6,169,838)
Net movement in borrowings and lease liabilities		**(9,804,543)**	(12,702,193)
Other finance costs paid (non-banking operations)		**(9,646,397)**	(5,196,635)
Dividend paid to the non-controlling interests		**(1,234,963)**	(1,291,958)
Acquisition of non-controlling interests		**(472,850)**	(599,760)
Contributions from non-controlling interests		**2,864,659**	-
Net cash used in financing activities		**(20,340,095)**	(26,536,287)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**7,939,122**	(17,117,048)
Cash and cash equivalents at the beginning of the year		**41,206,138**	58,323,186
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	**49,145,260**	41,206,138

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 24)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 26)*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2019	64,569,417	124,633,708	8,454,487	197,657,612	40,109,905	237,767,517
Impact on adoption of IFRS 16 (see note 2.2)	-	(9,704,312)	-	(9,704,312)	(10,475)	(9,714,787)
Restated balance at 1 January 2019	64,569,417	114,929,396	8,454,487	187,953,300	40,099,430	228,052,730
Profit for the year	-	17,985,319	-	17,985,319	7,012,196	24,997,515
Other comprehensive income for the year	-	(238,442)	140,675	(97,767)	(169,489)	(267,256)
Total comprehensive income for the year	**-**	**17,746,877**	**140,675**	**17,887,552**	**6,842,707**	**24,730,259**
Contributions from the Government (see note 24)	3,615,763	-	-	3,615,763	-	3,615,763
Distributions to the Government (see note 25)	-	(4,988,526)	-	(4,988,526)	-	(4,988,526)
Dividend paid to non-controlling interests	-	-	-	-	(1,234,963)	(1,234,963)
Tier 1 capital notes issued (see note 34(a))	-	-	-	-	3,663,696	3,663,696
Tier 1 capital notes redeemed (see note 34(a))	-	-	-	-	(3,672,500)	(3,672,500)
Interest on Tier 1 capital notes	-	-	-	-	(664,786)	(664,786)
Change in Group's ownership in existing subsidiaries	-	446,735	(2,642)	444,093	(913,713)	(469,620)
Transfers (see note 26)	-	(467,574)	467,574	-	-	-
Increase in non-controlling interests (note 34(b))	-	-	-	-	2,864,659	2,864,659
Transfers upon disposal of equity instruments measured at FVOCI (see note 26)	-	122,373	(122,373)	-	-	-
Other movements	-	(432,466)	158,282	(274,184)	(49,825)	(324,009)
Balance at 31 December 2019	**68,185,180**	**127,356,815**	**9,096,003**	**204,637,998**	**46,934,705**	**251,572,703**

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 24)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 26)*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2018	64,530,179	111,737,007	13,735,628	190,002,814	37,469,258	227,472,072
Impact on adoption of IFRS 9	-	2,016,600	(3,800,560)	(1,783,960)	(1,023,433)	(2,807,393)
Impact on adoption of IFRS 15	-	1,880,848	(222,186)	1,658,662	(224)	1,658,438
Restated balance at 1 January 2018	64,530,179	115,634,455	9,712,882	189,877,516	36,445,601	226,323,117
Profit for the year	-	16,252,292	-	16,252,292	5,138,793	21,391,085
Other comprehensive income for the year	-	74,769	(1,646,808)	(1,572,039)	(125,399)	(1,697,438)
Total comprehensive income for the year	-	16,327,061	(1,646,808)	14,680,253	5,013,394	19,693,647
Contributions from the Government (see note 24)	1,219,481	-	-	1,219,481	-	1,219,481
Return of capital to the Government (see note 24)	(1,180,243)	-	-	(1,180,243)	-	(1,180,243)
Distributions to the Government (see note 25)	-	(6,171,122)	-	(6,171,122)	-	(6,171,122)
Dividend paid to non-controlling interests	-	-	-	-	(1,291,958)	(1,291,958)
Interest on Tier 1 capital notes	-	-	-	-	(595,284)	(595,284)
Transfers (see note 26)	-	(248,457)	248,457	-	-	-
Arising on acquisition of subsidiaries	-	-	-	-	56,960	56,960
Change in Group's ownership in existing subsidiaries	-	(270,173)	(5,527)	(275,700)	(313,171)	(588,871)
Increase in non-controlling interests	-	-	-	-	827,898	827,898
Transfers upon disposal of equity instruments measured at FVOCI (see note 26)	-	(132,614)	132,614	-	-	-
Other movements	-	(505,442)	12,869	(492,573)	(33,535)	(526,108)
Balance at 31 December 2018	64,569,417	124,633,708	8,454,487	197,657,612	40,109,905	237,767,517

1 ACTIVITIES

Investment Corporation of Dubai, an entity wholly owned by the Government of Dubai, was established in Dubai on 3 May 2006 under Emiri Decree 11 of 2006 issued by H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates ("UAE") and The Ruler of Dubai.

ICD is the principal investment arm of the Government and was capitalised with the transfer of certain investments under the Government's portfolio from the Department of Finance-Investments Division. ICD's role is to supervise the Government's portfolio of investments in commercial activities and add value through the implementation of best practice corporate governance, and embrace a global investment strategy.

The address of ICD's registered office is PO Box 333888, Dubai, UAE.

The consolidated financial statements of ICD and its subsidiaries (together referred to as the "Group") have been approved by the Board of Directors on 6 May 2020.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance
The consolidated financial statements of ICD and its subsidiaries for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement
These consolidated financial statements are prepared under the historical cost convention except for the measurement of:
- financial assets measured at FVTPL;
- financial assets measured at FVOCI;
- assets held for sale (measured at lower of their carrying amount and fair value less costs to sell in accordance with IFRS 5);
- derivative financial instruments; and
- recognised assets and liabilities that are hedged and measured at fair value in respect of the risk that is hedged.

(c) Functional and presentation currency
The consolidated financial statements are presented in United Arab Emirates Dirham ("AED"). The functional currency of ICD and a majority of its subsidiaries is AED. Certain subsidiaries have functional currencies other than AED. Their balances have been translated into AED for the purpose of these consolidated financial statements.

Numbers have been rounded to the nearest thousand dirham ("AED'000") except when otherwise indicated.

(d) Comparative information
Certain comparative figures have been reclassified, either to conform to the current year's classification, for better presentation of the consolidated financial statements, or in accordance with the relevant requirement of IFRS with no change to the total equity as at 31 December 2018 nor profit for the year ended 31 December 2018. These mainly relate to reclassification between:
- current cash and deposits with banks and current Islamic financing and investment products in the consolidated statement of financial position amounting to AED 2,991,288 thousand;
- other non-current payables and trade and other payables in the consolidated statement of financial position amounting to AED 901,937 thousand; and
- investing activities and financing activities in the consolidated cash flow statements relating to the acquisition of non-controlling interests, amounting to AED 599,760 thousand.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of previous year, except for the adoption of new standards, amendments to the existing standards and interpretations effective as of 1 January 2019 and early adoption of amendments to IFRS 3 – Definition of a Business. The adoption of these new standards, amendments to the existing standards and interpretations had no material impact on the consolidated financial statements for the year ended 31 December 2019, except for IFRS 16 – Leases and amendments to IFRS 3 – Definition of a Business, as described below.

IFRS 16: Leases

The Group applied IFRS 16 on its date of initial application being 1 January 2019, using the modified retrospective approach. As a result, the Group has changed its accounting policy for leases.

Identification of a lease
Previously, the Group applied IAS 17, and determined at the contract inception whether an arrangement was or contained a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group applied the practical expedient and elected not to reassess which contractual arrangements qualify as leases under IFRS 16. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there were leases or contained a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Group as a lessee
As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the Group. With the adoption of IFRS 16, the Group as a lessee recognises most leases on balance sheet, except where the Group has elected not to recognise short-term leases that have a lease term of 12 months or less and leases of low value assets as permitted under IFRS 16. For leases that are not recognised on balance sheet, the lease rental charges are recognised as an operating expense over the period of the lease.

The Group made the following adjustments on transition:

(a) Leases classified as operating leases under IAS 17
At the transition date of 1 January 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The Group chose to measure right-of-use assets on a lease-by-lease basis, at either:

- their carrying amount, as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application.

On transition, the Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases ending within 12 months from the date of initial application;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16: Leases (continued)

Group as a lessee (continued)

(b) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability as at 1 January 2019 is determined at the carrying amount of the lease asset and lease liabilities under IAS 17 immediately before the date of initial application. Such assets, except for the assets subject to financing arrangements that are in-substance purchases, are now reclassified from ‘property, plant and equipment’ to ‘right-of-use assets’ in the consolidated statement of financial position.

Group as a lessor

The initial application of IFRS 16 as at 1 January 2019 had no significant impact on the Group’s leases where it acts as a lessor.

The Group applied guidance available under IFRS 15 - Revenue from Contracts with Customers to allocate consideration in the lease contracts to each lease and non-lease component.

Impact on transition of IFRS 16

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of its initial application has been recognised in retained earnings as at 1 January 2019. Therefore, the comparative information has not been restated.

The change in accounting policy affected the following items of the consolidated statement of financial position as at 1 January 2019:

	AED’000
Assets	
Property, plant and equipment	(5,179,076)
Right-of-use assets	70,921,223
Investment properties	68,182
Investment in associates and joint ventures	(36,561)
Other non-current assets	(4,813,115)
Deferred tax assets	188,373
Trade and other receivables	(2,657,282)
Total assets	**58,491,744**
Equity	
Retained earnings	(9,704,312)
Non-controlling interests	(10,475)
Total equity	**(9,714,787)**
Liabilities	
Borrowings and lease liabilities	67,415,773
Other non-current payables	1,360,848
Deferred tax liabilities	167,683
Trade and other payables	(737,773)
Total liabilities	**68,206,531**

When measuring lease liabilities that were classified as operating leases, the Group discounted lease payments using incremental borrowing rates as at 1 January 2019. The incremental borrowing rate applied to the lease liabilities related to aircraft, aircraft engines and parts on 1 January 2019 is 5.5%. The incremental borrowing rate applied to the lease liabilities related to other assets on 1 January 2019 mostly ranges from 3% to 6.5%.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16: Leases (continued)

Impact on transition of IFRS 16 (continued)
The Group's lease liabilities as at 1 January 2019 can be reconciled to the Group's operating lease commitments as of 31 December 2018 as follows:

	Aircraft, aircraft engines and parts AED'000	*Other assets AED'000*	*Total AED'000*
Operating lease commitments as at 31 December 2018	72,458,937	8,889,695	81,348,632
Less: Short-term leases and leases that expire within 12 months of transition date	(46,857)	(219,252)	(266,109)
Less: Low-value leases	-	(702)	(702)
Add: Net adjustments as a result of a different treatment of extension and termination options	-	2,443,919	2,443,919
Total	**72,412,080**	**11,113,660**	**83,525,740**
Discounted using the lessee's incremental borrowing rate	58,501,768	8,914,005	67,415,773
Add: Finance lease liabilities as at 31 December 2018	2,025,756	1,736,655	3,762,411
Lease liabilities recognised as at 1 January 2019	**60,527,524**	**10,650,660**	**71,178,184**

Definition of a Business (Amendments to IFRS 3)

The Group early adopted Amendments to IFRS 3, Definition of a Business with the date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy on business combinations.

These amendments clarify the definition of a business, and include:

- an optional test, referred to as the 'concentration test', to assess whether substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; and
- an assessment focused on whether the set of assets and activities includes a substantive process.

The early adoption of these amendments resulted in the acquisition of working interests in certain oil and gas concessions being treated as an asset acquisition rather than a business combination (see note 10(b)).

2 ACCOUNTING POLICIES (continued)

2.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The standards, amendments and interpretations relevant to the Group that are issued, but not yet effective up to the date of issuance of the Group's consolidated financial statements and have not been early adopted by the Group are listed below:

Standard	Description	Effective date
Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform	The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to interest rate benchmark reforms (referred as Phase I of IBOR project) address the hedge accounting requirements arising before Inter Bank Offer Rate ("IBOR") and proposed a hedging relief for such pre-replacement hedges. Upon adoption of these amendments by the Group, material impact is expected to arise from Emirates NBD PJSC and its subsidiaries (together defined as the "Bank"). The Bank has implemented the amendments from the effective date of 1 January 2020 and applied the hedging relief available under the amendments such as relief on forward-looking analysis during the period of uncertainty beyond the year 2021. The Bank's exposure to cash flow hedges and fair value hedges linked to IBOR maturing beyond the year 2021 is not considered material. Phase 2 of the project (which is yet to be issued), relates to the replacement of benchmark rates with alternative risk-free rates. The impact of rate replacement on the Bank's products and services remain a key area of focus. Management of the Bank is running a project on the Bank's transition activities and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes of the Bank.	1 January 2020
Amendments to IAS 1 and IAS 8 - Definition of Material	The amendments defines that an information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Upon adoption of these amendments, no material impact is expected on the Group's consolidated financial statements.	1 January 2020

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of ICD and its subsidiaries. Subsidiaries are entities controlled by the Group. The list of Group's significant subsidiaries, associates and joint ventures is provided in note 39.

The Group controls an investee if and only if the Group has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Special Purpose Entities ("SPEs") are entities that are created to accomplish a well-defined objective; for instance, the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. These circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- contractual arrangements with other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's existing and potential voting rights.

Certain of the Group's subsidiaries manage and administer funds on behalf of investors. The financial statements of these funds are not included in these consolidated financial statements.

The Group reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holder of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction in the consolidated statement of changes in equity.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill
Effective from 1 January 2019, in determining whether the acquired set of activities and assets is a business, the Group may elect to apply a concentration test to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this test is met, the Group recognises the transaction as an asset acquisition. If the test is not met or if the Group considers it would be inefficient to perform the test, the Group assesses whether the set of assets and activities meets the definition of a business given in IFRS 3. The Group performs this test on an acquisition-by-acquisition basis.

Business combinations falling within the scope of IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period ends as soon as the Group receives the necessary information about facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the relevant reporting period in which the acquisition took place.

Transactions involving entities under common control

Transactions involving entities under common control where the transaction has substance are accounted for using the acquisition method. For transactions involving entities under common control where the transaction does not have any substance, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities in the books of the transferor (as adjusted to comply with Group accounting policies), are used to account for these transactions. No goodwill is recognised as a result of the transfer. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the net assets acquired is reflected as 'merger reserve' within equity.

A number of factors are considered in assessing whether the transaction has substance including the following:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not the transaction brings entities together into a 'reporting entity' that did not exist before.

Investments in joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group classifies its investments in joint arrangements into one of two types – joint operations and joint ventures.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Where it undertakes its activities under a joint operation, the Group as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenue and expenses.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint ventures are those investments in distinct legal entities over which activities the Group has joint control, established by contractual agreements and requiring unanimous consent for strategic, financial and operating decisions.

The Group's investments in joint ventures are accounted for under the equity method.

Under the equity method, an investment in a joint venture is initially recognised at cost. Thereafter, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. The goodwill relating to a joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of results of operations of joint ventures. Where there has been a change recognised directly in the equity of joint ventures, the Group recognises its share of any changes in the consolidated statement of changes in equity. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes the recognition of its share of those profits only after its share of the profits equals the share of losses not recognised.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint arrangements (continued)
To ensure consistency with the policies adopted by the Group, adjustments are made to the numbers reported by the joint ventures to the Group where necessary.

Upon loss of joint control over a joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture whose joint control has been lost and the sum of the fair value of the retained investment and the proceeds from disposal is recognised in the consolidated income statement.

When the Group retains significant influence over remaining investment in the joint venture, the investment is accounted for as an investment in an associate. If the ownership in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement, where appropriate.

Investments in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for under the equity method.

Under the equity method, an investment in an associate is initially recognised at cost. Subsequently, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate from the acquisition date. The goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of its associates. When there has been a change recognised directly in the equity of an associate, the Group recognises its share of any such changes and discloses this, where applicable, in the consolidated statement of comprehensive income and consolidated statement of changes in equity. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes the recognition of its share of those profits only after its share of profits equals the share of losses not recognised.

The Group's share of results of associates is shown on the face of the consolidated income statement. This is the result attributable to equity holders of associates and, therefore, is the result after tax and non-controlling interests in the subsidiaries of associates.

The financial statements of the Group's associates are prepared for the same reporting period as that of the Group. When necessary, adjustments are made to bring the accounting policies of associates in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of such an associate and the sum of the fair value of the retained investment and the proceeds from disposal is recognised in the consolidated income statement. If the Group's ownership in an associate is reduced but the Group retains significant influence, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement, where appropriate.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value; in doing so, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are classified within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing the classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currency translation
The consolidated financial statements are presented in AED, which is ICD's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate of the functional currency ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured using the exchange rate of the functional currency ruling at the reporting date. All remeasurement foreign exchange differences are recognised in the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt within equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the consolidated income statement, any exchange component of that gain or loss is also recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustment to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where the functional currency of a foreign operation is different from AED, the assets and liabilities of this subsidiary are translated into AED at the rate of exchange ruling at the reporting date and its income statement is translated at the average exchange rate for the period. Exchange differences arising on this translation are taken directly to a separate component of equity. On disposal of a foreign entity, the cumulative amount of such exchange differences recognised in equity relating to this foreign entity are recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
For contracts determined to be within the scope of IFRS 15, the Group is required to apply a five-step model to determine when to recognise revenue from contracts with customers, and the amount of revenue to be recognised:

Step 1: Identify the contract(s) with a customer
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations to be met.

Step 2: Identify the performance obligations in the contract
A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract
For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation
The Group satisfies a performance obligation and recognises revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time when the performance obligation is satisfied.

Principal versus agent
When more than one party is involved in a transaction for providing goods or services to a customer, the Group is required to determine whether it acts as a principal or an agent.

The Group acts as a principal if it controls a promised good or service before transferring it to the customer. The Group is an agent if its role is to arrange for another entity to provide the goods or services. The factors considered in making this assessment are most notably whether the Group has discretion in establishing the price for the specified good or service, whether the Group has inventory risk and whether the Group is primarily responsible for fulfilling the promise to deliver the service or good.

Where the Group is acting as a principal, revenue is recorded on a gross basis. Where the Group is acting as an agent revenue is recorded as a net amount reflecting the margin earned.

Variable consideration
If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer. The variable consideration is estimated at the inception of the contract using either the expected value or the most likely amount, and this is included in revenue to the extent that it is highly probable that the revenue will not reverse.

Significant financing component
The Group is required to assess whether its contract with customers contain a significant financing component, if the period between the customer payment date and the date of transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Group adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk arising from the customer.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contract modification
A contract modification occurs when the Group and the customer approve a change in a contract that either creates new enforceable rights and obligations, or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, verbal, or implied by customary business practices.

The Group treats a contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

The Group accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Group accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Fees and commission
Fee income is measured by the Group based on the consideration specified in contracts with customers and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);
- Income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and
- Other fees and commission income and expense are recognised as the related services are performed or received.

If such fee income forms an integral part of the effective interest rate of a financial instrument, it is recognised as an adjustment to the effective interest rate and included in interest income.

Finance / interest income and expense
Finance / interest income and expense are recognised in the consolidated income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset (as defined below); or
- the amortised cost of the financial liability (as defined below).

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired financial assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost
The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount using the effective interest method and, for financial assets, adjusted for any loss allowance.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Finance / interest income and expense (continued)

Gross carrying amount
The 'gross carrying amount' of a financial asset and a financial liability is the amortised cost of the financial asset before adjusting any loss allowance and the financial liability.

Calculation of interest income and expense
In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the financial asset is no longer credit-impaired, then the calculation of interest income reverts to the gross carrying amount.

For the financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross carrying amount, even if the credit risk of the asset improves.

The finance / interest income and expense arising from banking operations are presented within 'revenue' and 'cost of revenue', respectively, in the consolidated income statement. The finance / interest income and expense arising from non-banking operations are presented within 'other finance income' and 'other finance cost', respectively, in the consolidated income statement.

Income from Islamic financing and investment products
Islamic financing and investment products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These products are carried at amortised cost less impairment. The main classes of Islamic investment assets are:

Murabaha
An agreement whereby the Group sells to a customer a commodity, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

The profit is quantifiable and contractually determined at the commencement of the contract. Profit is recognised as it accrues over the life of the contract using an effective profit method on the outstanding balance.

Istissna'a
An agreement between the Group and a customer whereby the Group would sell to the customer a developed property according to agreed upon specifications. The Group would develop the property either on its own or through a subcontractor and then hand it over to the customer on a fixed date at an agreed price.

Istissna'a revenue and the associated profit margin (difference between the cash price to the customer and the Group's total Istissna'a cost) are accounted for on a time proportion basis.

Ijara
An agreement, whereby the Group (lessor) leases an asset to a customer (lessee), for a specific period of time and against the payment of certain rent instalments. Ijara can end by transferring the ownership of the asset to the lessee at the end of the agreement or substantially transferring all the risks and returns related to the ownership.

Ijara income is recognised on a time proportion basis over the period of contract.

Mudaraba
An agreement between two parties where one of them, the Rab-Ul-Mal, provides the funds and the other, the Mudarib, provides efforts and expertise. The Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudaraba income. Typically, in the event of a loss, the Rab-Ul-Mal bears the loss of his funds while the Mudarib bears the loss of his efforts. However, in an event of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, only the Mudarib bears the losses. The Group may act as Mudarib when accepting funds from depositors and as Rab-Ul-Mal when investing such funds on a Mudaraba basis.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Income from Islamic financing and investment products (continued)

Mudaraba (continued)
Income on Mudaraba financing is recognised on distribution by the Mudarib, whereas losses are charged to profit or loss on their declaration by the Mudarib.

Wakala
An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in the event of default, negligence or violation of any of the terms and conditions of the Wakala.

The estimated income from the Wakala is recognised on an accrual basis over the period and adjusted for any differences with the actual income when received. Losses are accounted for on the date of declaration by the agent.

Sukuk
Investment Sukuk are certificates of equal value, representing undivided shares in the ownership of tangible assets, usufruct and services or assets of particular projects or special investment activities. Sukuk represents a common share in the ownership of the assets made available for investment.

Income is accounted for on a time-apportioned basis over the terms of the Sukuk.

Exchange house trading
Trading commission fees are recognised at the time when the underlying trade has been executed.

Airline revenue
The Group's aviation activities principally generates revenue from commercial air transportation which includes passengers, baggage, cargo, in-flight services and other service like fast check-in, airport shuttle service etc.

The Group assesses whether the promises made in a contract are capable of being distinct and are also distinct within the context of the contract or not. There can be multiple performance obligations in a single transaction; for example multiple services like non-stop flight or multiple connecting/stopover flights, round trips, or ancillary services and customer loyalty programs etc.

Passenger (including excess baggage) and cargo sales are recognised as revenue when (or as) the performance obligation for transportation service is fulfilled towards its customers, and are presented net of discounts. Sales are allocated to each performance obligation based on the relative stand-alone selling price method. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the consolidated statement of financial position under trade and other payables as 'passenger and cargo sales in advance'. Passenger ticket related breakage is estimated based on historical trends and recognised in the consolidated income statement proportionally with each transfer of services to the customer.

Revenue from the sale of consumer goods, food and beverages and catering operations is recognised when the control of goods or services is transferred to the customer and is stated net of discounts and returns.

Airport operations and travel services
Revenue from airport operations including ground handling and cargo services is recognised on the performance of the related services.

Revenue from travel services includes the sale of travel holiday packages and also travel individual component bookings. Where the Group acts as a principal, the total consideration received is allocated to the separate performance obligations based on relative stand-alone selling prices and revenue is recognised upon satisfaction of each performance obligation within a single contract with the customer. Where the Group acts as an agent between the service provider and the end customer, the net commission is recognised as revenue upon satisfaction of the performance obligation, i.e., upon confirmation of the travel booking taking place.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from oil and gas products and services
A sale of goods is recognised when the Group has delivered products to the customers; the customer has accepted the products and the collectability of the related receivables is reasonably assured. Sales of crude oil arising from upstream operations exclude the share of crude oil attributable to abandonment and decommissioning barrels under the terms of Production Sharing Agreements ("PSA"). Revenue from services is recognised in the period during which services are provided in accordance with the respective services agreements. Where products have not been delivered or services have not been performed, but settlements have been received in advance, revenue recognition is deferred until completion of delivery of the products or performance of the services.

Lease income
Lease income from assets under operating lease is recognised as income on a straight line basis over the term of the lease. When the Group provides incentives to its customers, the cost of incentives is recognised on a straight-line basis over the lease, as a reduction of lease income.

Construction and real estate developer revenue
Where the outcome of a performance obligation can be estimated reliably, and when one of the criteria for recognising revenue over time is met in accordance with IFRS 15, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. It is measured as the proportion of contract costs incurred for work performed to date over the estimated total contract costs. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

In applying an input method, the Group excludes the effect of any inputs that do not depict its performance in transferring control of goods or services to the customer.

If none of the criteria to recognise revenue over time are met, then the Group recognises revenue when it transfers control of goods or services to the customer, which may not be until practical completion is reached.

Revenue related to variation orders is recognised when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured. Claims and incentive payments are recognised as contract revenue when settled or when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be reliably measured.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately and the contract is treated as an onerous contract.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned related to the satisfied performance obligation. Where the amount of consideration received from the customer exceeds the amount of revenue recognised, a contract liability is recognised.

Revenue from hospitality operations
Hotel revenue includes all the revenue received from hotel guests. The services rendered (including room rentals, food and beverage sales and other ancillary services) are distinct performance obligations, for which prices invoiced to guests are representative of their stand-alone selling prices and are recognised when they have been delivered or rendered.

Management fees from management contracts with third-party hotel owners are typically earned based on hotel revenue (e.g. base fees). They may also include an incentive fee subject to certain performance criteria. Base fees are typically billed and collected monthly, and revenue is recognised as services are provided. Incentive management fees are billed and recognised monthly based on each property's financial results, as long as the Group does not expect a significant reversal due to projected future hotel performance or cash flows in future periods.

Revenue from organisation of exhibitions and the provision of event services
Revenue derived from the organisation of exhibitions and the provision of event services is recognised immediately once the exhibition or event is held or the services rendered.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Licensing Fees
The Group earns revenue from the sale of licenses, which provide the customers with the right to use the underlying assets.

The Group identifies each of the performance obligations in a contract that includes a promise to grant a license in addition to other promised goods or services. This includes an assessment of whether the:

- customer can benefit from the license on its own or together with other resources that are readily available; and
- license is separately identifiable from other goods or services in the contract.

When a license cannot be identified distinctly, the Group recognises revenue for the single performance obligation when (or as) the combined goods or services are transferred to the customer.

When a license is distinct from other goods or services, the Group assesses its nature to determine whether to recognise revenue allocated to the license at a point in time or over time.

To determine whether the performance obligation is satisfied at a point in time or over time, the Group evaluates whether the nature of the promise is to provide the customer with a right to:

- access the intellectual property throughout the license period; or
- use the intellectual property as it exists at the point in time when the license is granted.

Dividend income
Dividend income is recognised when the Group's right to receive the payment is established.

Government grant
A government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions, if any, will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Group receives a grant of a non-monetary asset, the asset and the grant are recorded at a nominal amount.

Intangible assets (excluding goodwill)
Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is the fair value of intangible assets as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recorded in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates i.e. adjusted prospectively. The amortisation expense of intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (excluding goodwill) (continued)
Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives as follows:

Service rights	5 - 15 years
Customer relationships, order backlog and trade names	3 - 20 years
Computer software	3 - 10 years
Contractual rights	Over the term of rights
Licenses, exclusive rights and right to use	5 - 50 years

Intangible assets include goodwill, and certain brands and trademarks that have an indefinite life. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

Intangible assets with indefinite useful lives are not amortised but instead tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the assessment that their life is indefinite continues to be supportable. If as a result of this assessment, it can no longer be supported, a change in the useful life from indefinite to finite is made on a prospective basis.

Exploration and evaluation (“E&E”) assets
E&E costs in respect of Group’s oil and gas operations are initially capitalised within ‘Intangible assets’. Such E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing. Pre-license costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the consolidated income statement as they are incurred.

E&E assets related to each exploration licence/prospect are not amortised; they are carried forward until the existence (or otherwise) of commercial reserves has been established. If commercial reserves have been discovered, the related E&E assets are assessed for impairment and any loss is recognised in the consolidated income statement. The carrying value, net of any impairment loss, of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment and is amortised as per the Group’s depletion (depreciation) policy. No depletion is charged during the exploration and evaluation phase.

Tangible assets acquired for use in E&E activities are classified as property, plant and equipment. The depreciation of such tangible assets is recorded as part of the cost of E&E assets.

Research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group’s development activities is only recognised when both the identification and recognition criteria defined in IAS 38, Intangible Assets (listed below) are met:

- the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use;
- the Group has the intention to complete the asset and use or sell it;
- the Group has the ability to use or sell the asset;
- it is probable that the asset created will generate future economic benefits;
- adequate technical, financial and other resources are available to the Group to complete the development and to use or sell the asset; and
- the development cost of the asset can be measured reliably.

If these conditions are not met, such development expenditure is recognised as an expense in the period in which it is incurred. The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. The period during which such expenditure is capitalised starts when the above criteria are met and ends when the product is considered available for use.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure (continued)
Internally-generated intangible assets are amortised on a straight-line basis over their useful life. The assessment regarding the useful life of capitalised development costs is based upon various factors including the typical product lifecycle for similar assets in the market. Management will assess the useful life of capitalised development projects on a case-by-case basis, when they meet the IAS 38 requirements for capitalisation.

Property, plant and equipment
Property plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. This excludes the costs of day-to-day servicing. An item of property, plant and equipment should be recognised only if it is probable that future economic benefits associated with the item will flow to the Group and its cost can be measured reliably.

The costs of day-to-day servicing, such as repair and maintenance of property, plant and equipment and which largely comprise labour costs and minor parts are recognised in the consolidated income statement as incurred. However, when expenditure involves replacing a significant part of an asset, this part should be capitalised as part of the property, plant and equipment, if the recognition criteria are met.

Land is not depreciated and is stated at cost less impairment losses.

Depreciation is calculated on a straight-line basis over the useful life of property, plant and equipment as follows:

Freehold property	14 - 60 years
Buildings (including leasehold premises) and leasehold improvements	up to 50 years
Furniture, fixture, and office equipment	2 - 20 years
Plant, machinery, equipment and vehicles	up to 40 years
Marine vessels (included within oil and gas interests)	25 years
Aircraft, aircraft engines and parts (other than aircraft held for lease)	5 - 23 years (residual value Nil - 10%)
Aircraft held for lease (given on operating leases to various operators)	Not to exceed 25 years from the date of manufacture (residual value do not exceed 15%)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When significant parts of items of property, plant and equipment are required to be replaced at regular intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Similarly, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a separate part if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Major overhaul expenditure is depreciated over the shorter of the period to the next major overhaul or the lease term or the useful life of the asset concerned.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

The asset’s residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Development and production assets
Development and production assets represent the cost of developing the commercial oil and gas reserves discovered and of bringing them into production, in addition to the E&E expenditure incurred in finding commercial reserves transferred from intangible E&E assets. Cost of development and production assets also includes the costs of licence acquisition, drilling, infrastructure projects and a proportion of directly attributable administrative and overhead costs.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Development and production assets (continued)
The Group's development and production activities are conducted in accordance with PSA between one of the Group’s indirect subsidiaries engaged in oil and gas business and an agency of the relevant government of the country where such development and production activities are carried out. Capital and operating costs are recovered as part of the cost recovery mechanism provided for in the PSA.

Inventory of drilling spares is classified under property, plant and equipment and is not depleted until it is put to use as development and production assets.

Depletion of development and production assets is provided using the unit-of-production method, with reference to the ratio of the production during the period and the estimated commercial reserves of the field taking into account future development expenditures necessary to bring those reserves into production. Changes in estimates affecting the unit-of-production calculations for depletion are accounted for prospectively. Gas reserves are converted into barrels of oil equivalent based on energy conversion rate for the purpose of determining the depletion charges.

At the end of each year, an assessment is made as to whether the economic value of interests is in excess of the amount of costs capitalised. Costs capitalised as depletable interests in excess of the estimated value of the Group's discounted future net revenue of its commercial reserves are impaired as additional depletion.

Commercial reserves
Commercial reserves are estimated quantities of proven and probable oil and gas reserves that available data demonstrates, with a specified degree of certainty, to be recoverable in future from known reservoirs that are considered commercially producible. The working interest of the proven and probable commercial reserves are based on a reserves report produced by an independent engineer. Reserves estimates are reviewed by the independent engineer based on significant new data or a material change with a review of the field undertaken generally every year. The Group’s entitlement to the proven and probable commercial reserves are derived based on the terms of the PSA and certain assumptions made by the management in respect of estimates of oil and gas reserves, future oil and gas prices, future development costs including the cost of drilling, infrastructure facilities, signing of the gas sales agreement and other capital and operating costs.

Capital work-in-progress
Assets in the course of construction are carried at cost less accumulated impairment losses.

Manufacturers’ credits and liquidated damages
Group’s subsidiaries engaged in the aviation business receive credits from manufacturers in connection with the acquisition of certain aircraft and engines, or as an overall business consideration.

When credits from manufacturers relate to consideration for loss of income or for incremental operating costs, it is recognised in the period to which costs pertain in the consolidated income statement either as other operating income or as a reduction from operating costs, provided a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. These credits are recorded as a reduction to the cost of the related aircraft and engines when it relates to acquisition of aircrafts and engines.

Aircraft held for lease
Aircraft held for lease are stated at cost less accumulated depreciation and impairment losses.

The maintenance right asset, a component of aircraft held for lease, represents the value of the difference between the contractual right under the acquired lease to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

The maintenance right asset will be amortised over the remaining useful life of the aircraft. Once the related maintenance work is performed, the unamortised amount will then be capitalised on to the aircraft. If the work is not performed, the amount will be disposed of and any related maintenance reserves will be utilised against the amount recorded in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Aircraft held for lease (continued)
Major improvements to be performed by the Group pursuant to lease agreement are accounted for as lease incentives and are amortised against revenue over the term of the lease, assuming no lease renewals. Lessee specific modifications to the aircraft are capitalised and amortised against revenue over the term of the lease. Generally, lessees are required to provide for repairs, scheduled maintenance and overhauls during the lease term and be compliant with return conditions of flight equipment at lease termination.

Major improvements and modifications incurred for an aircraft that is yet to be leased or those transitioning to a new lease are capitalised and depreciated over the remaining life of the aircraft held for lease when these increase the future economic benefit of related aircraft. Miscellaneous repairs are expensed when incurred.

At the time of an aircraft acquisition, the Group evaluates whether the lease acquired with the aircraft is at fair value by comparing the contractual lease rates to the range of current lease rates of similar aircraft. A lease premium is recognised when it is determined that the acquired lease's terms are above fair value; lease discounts are recognised when it is determined that the acquired lease's terms are below fair value. Lease premiums and discounts are capitalised as a portion of the aircraft held-for-lease value and are amortised as rental revenue on a straight-line basis over the lease term.

Expenditure incurred to transition an aircraft from one lessee to another, due to either a lease termination or a bankruptcy is expensed.

Aircraft purchase deposits
Aircraft purchase deposits are included in 'capital-work-in progress' and represent the progress payment made to aircraft manufacturers.

Investment properties
Properties held for rental income or for capital appreciation, or held with undetermined future use, which are not occupied by the Group companies are classified as investment properties. The properties occupied by the Group are classified as 'property, plant and equipment'. The Group has adopted the cost model for accounting for its investment properties. Accordingly, investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses. Land is not depreciated and is stated at cost less impairment.

Properties under construction are carried at cost less accumulated impairment losses.

The carrying amount of an investment property includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met and it excludes the costs of day to day servicing of an investment property.

Depreciation is calculated on a straight line method to write-off the cost of investment properties over their estimated useful lives. These are estimated by management to be between 14 and 70 years.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Any amendment to the above is accounted for prospectively.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment properties to owner-occupied properties or vice versa, the deemed cost of property for subsequent accounting is its cost less accumulated depreciation and impairment at the date of change in use.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected. Any gain or loss arising on derecognition of investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated income statement in the year when the asset is derecognised.

Development properties
Properties that are being constructed or developed for future use as investment properties or property, plant and equipment, are classified as development properties and are stated at cost less impairment losses, if any, until construction or development is complete. Properties in the course of construction for sale are also classified as development properties and are stated at the lower of cost less accumulated impairment, or net realisable value.

Cost includes:

- freehold and leasehold rights for land.
- amounts paid to contractors for construction.
- borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to complete and the estimated cost of sale.

Management reviews the carrying value of development properties on an annual basis.

Upon completion of its construction or development, the property is reclassified under investment properties, property plant and equipment, or inventory property depending on its future intended use. No depreciation is charged during the development period.

Completion is defined as the earlier of the issuance of a certificate of practical completion, or when management considers the property to be completed.

With respect to real estate and development subsidiaries, the cost of land and cost incurred in the course of development relating to properties sold during the year, for which revenue is recognised, are transferred to cost of revenue.

Leases

Identification of leases

Policy applicable before 1 January 2019
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date as to whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Identification of leases (continued)

Policy applicable before 1 January 2019 (continued)
Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Policy applicable from 1 January 2019
At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(a) the contract involves the use of an identified asset. The asset may be identified by being explicitly or implicitly specified in the contract, and should be physically distinct or represent substantially all of the capacity of an asset. If the supplier has a substantive substitution right, the Group does not have the right to use an identified asset;
(b) the Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
(c) the Group has the right to direct the use of the identified asset throughout the period of use. The Group has this right when either:
   - it has the right to direct how and for what purpose the asset is used; or
   - where the decision about how and for what purpose the asset is used is predetermined, the Group:
     - has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
     - designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose it will be used.

The Group acquires the right to purchase certain assets that are manufactured as per bespoke specifications and design, and are delivered through various financing arrangements. These are ‘in-substance purchases’ as it is certain that the title of these assets will eventually be transferred to the Group at the end of the financing term, and hence these assets are accounted for as property, plant and equipment under IAS 16. The related liabilities are treated as term loans under IFRS 9.

Group as a lessee

Policy applicable before 1 January 2019
Finance leases that transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded in the consolidated income statement. Property, plant and equipment acquired under the finance leases (mainly aircraft) are depreciated in accordance with the Group’s policy.

Operating leases are those that do not meet the definition of a finance lease. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Policy applicable from 1 January 2019
The Group recognises right-of-use assets and lease liabilities at the lease commencement date for contracts that meet the definition of lease under IFRS 16.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

Policy applicable from 1 January 2019 (continued)

Right-of-use-assets
For qualifying leases, a right-of-use asset is initially recognised and measured at cost, comprising of the initial measurement of lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or restore the underlying asset or the site on which it is located to the condition required by the terms of the lease. For contracts that contain one or more additional lease components, the consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component, estimated by maximising the use of observable information, if an observable standalone price is not readily available.

The right-of-use asset is subsequently depreciated over the shorter of the useful life or lease term of the right-of-use asset, except where the lessee has the option to purchase the leased asset at the end of the lease term and it is reasonably certain that it will do so; in this event, the right-of-use asset is depreciated over the useful life of the underlying asset. The estimated useful life of a right-of-use asset is determined on the same basis as that of property, plant and equipment. In addition, the right-of-use asset is periodically assessed for impairment and, if necessary, adjusted for remeasurements of the lease liability.

Right-of-use assets are recognised as a separate line item in the consolidated statement of financial position, except for the right-of-use assets that meet the definition of investment property, in which case they are presented as 'investment properties'.

Lease liabilities
A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments to be made for an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

A lease liability is measured at amortised cost using the effective interest method. A lease liability is remeasured if there is a change in the lease term, in future lease payments arising from a change in an index or rate, in amount expected to be payable under a residual value guarantee, or assessment of whether the Group will exercise an option to purchase the underlying asset. When a lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, the Group recognises the remaining amount of such remeasurement in the consolidated income statement.

The Group presents lease liabilities in 'borrowings and lease liabilities' in the consolidated statement of financial position.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

Policy applicable from 1 January 2019 (continued)

Lease modifications
The Group accounts for a lease modification as a separate lease if both:
- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

For lease modifications that are not accounted for as a separate lease, at the effective date of the lease modification, the Group:
- allocates the consideration in the modified contract;
- determines the lease term of the modified lease; and
- remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term or, if that rate cannot be readily determined, the Group uses the incremental borrowing rate at the effective date of the modification.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense over the lease term.

Group as a lessor
Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of an underlying asset are classified as finance leases. All other leases are classified as operating leases. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Amounts due from lessees under finance leases are recognised as receivables at the amount equal to the net investment in the leases. Finance lease income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term or by using another systematic basis if it is more representative of the time pattern in which the benefit of the underlying asset is diminished.

If an arrangement contains lease and non-lease components, the Group applies guidance provided in IFRS 15 – Revenue from Contracts with Customers to allocate the consideration in the contract.

Sale and leaseback transactions

Policy applicable before 1 January 2019
Gains and losses arising on sale and leaseback transactions resulting in an operating lease and where the sale price is at fair value, are recognised immediately in the consolidated income statement. Where the sale price is below fair value, any losses are immediately recognised in the consolidated income statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is classified as a deferred credit and amortised over the period for which the asset is expected to be used.

When profits arise on a sale and leaseback transaction resulting in a finance lease, the excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Sale and leaseback transactions (continued)

<u>Policy applicable from 1 January 2019</u>
In order to determine whether the transfer of an asset is accounted for as a sale of that asset, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15. If the transfer of an asset by the seller-lessee satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset:

(a) the Group (as seller-lessee) derecognises the underlying asset and recognises a right-of-use asset with a corresponding liability equal to the retained interest in the asset. Accordingly, the Group (as seller-lessee) recognises a gain or a loss that relates to the rights transferred to the buyer-lessor in the consolidated income statement; and
(b) the Group (as buyer-lessor) accounts for the purchase of the asset under the relevant IFRSs, and for the lease applies the lessor accounting requirements of IFRS 16.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

(a) any below-market terms is accounted for as a prepayment of lease payments; and
(b) any above-market terms is accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

If the transaction does not qualify as a sale under IFRS 15, a financial liability equal to the sale value is recognised in the consolidated financial statements as ‘other borrowings’ under 'borrowings and lease liabilities'.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair values less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

The following policies apply when assessing the impairment of specific assets:

Goodwill
Goodwill is reviewed for impairment test purposes annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount plus the carrying amount of the goodwill allocated to the CGU, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment at each reporting period either individually or at the CGU level, as appropriate.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss against the carrying value of Group's investments in its associates or joint ventures. The Group determines at each reporting date whether there is any objective evidence that an investment in associates or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the investment in associates or joint ventures (as the case may be) and its carrying value and recognises the resulting impairment in the consolidated income statement.

Reversal of impairment losses
As far as reversal of impairment of non-financial assets is concerned, for assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. This increased amount cannot exceed the carrying amount that would have been determined, net of depreciation / amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the consolidated income statement.

Classification and measurement of financial assets and liabilities
On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. Derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead, the whole hybrid instrument is assessed for classification purposes.

i) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold the financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment related to these assets are recognised in the consolidated income statement.

ii) Financial assets measured at FVOCI

(a) Debt instruments
Debt instruments are measured at FVOCI where they meet both of the following conditions and are not designated as measured at FVTPL:

- the contractual cash flows are solely payments of principal and interest on the outstanding principal; and
- the objective of the Group's business model is achieved both by collecting contractual cash flows and selling the underlying financial assets.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

ii) Financial assets measured at FVOCI (continued)

(a) Debt instruments (continued)
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment (including reversals) are recognised in the consolidated income statement. Other net gains and losses are recognised in the consolidated statement of comprehensive income.

(b) Equity instruments
Equity instruments are normally measured at FVTPL. However, upon initial recognition of equity instruments that are not held for trading, the Group may elect to designate them as measured at FVOCI and accordingly present subsequent changes in the fair value of the instrument in the consolidated statement of comprehensive income. This election is irrevocable and made on an instrument-by-instrument basis.

Foreign exchange gains or losses arising on these assets are recognised in the consolidated income statement. Dividends are also recognised as income in the consolidated income statement unless the dividend clearly represents a recovery of part of the cost of the investment, in which case they are recognised in the consolidated statement of comprehensive income.

iii) Financial assets measured at FVTPL
On initial recognition, the Group may irrevocably designate as measured at FVTPL a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL. This includes derivatives and financial assets held for trading.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows, nor held both to collect contractual cash flows and to sell financial assets.

These assets are subsequently measured at fair value and net gains or losses are recognised in the consolidated income statement.

Business model assessment
The Group entities make an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the frequency, volume and timing of trades of financial assets in prior periods, the reasons for such trades and expectations about the future trading activity. However, information about trading activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the outstanding principal.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)
In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities are classified as held for trading if they are incurred with the intention to repurchase them in the near term or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial liabilities may be designated at FVTPL on initial recognition, if the following criteria are met:

(a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
(b) they are managed within a group of financial liabilities or of financial assets and financial liabilities whose performance is evaluated on a fair value basis; or
(c) The financial liability contains an embedded derivative that significantly modifies the cash flows of the contract or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is not prohibited.

Financial liabilities at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated income statement. Any gains and losses arising from changes in own credit risk are recognised in consolidated statement of comprehensive income.

Financial liabilities measured at amortised cost mainly includes borrowings and lease liabilities, customer deposits, Islamic customer deposits and trade and other payables. After initial recognition, the aforementioned liabilities are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated income statement.

Reclassification
The Group reclassifies financial assets other than equity instruments measured at FVOCI if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group's operations and demonstrable to external parties.

The Group determines the classification of financial liabilities on initial recognition. Their subsequent reclassification is not permitted.

Modifications of financial assets and financial liabilities
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. The difference on derecognition of the original financial asset is recognised as gain or loss in the consolidated income statement.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)
If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different, then a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and that of the new financial liability with modified terms is recognised in the consolidated income statement.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(a) the rights to receive cash flows from the asset have expired; or
(b) the Group retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
(c) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Any gain or loss arising on the derecognition of financial assets measured at amortised cost is recognised in the consolidated income statement.

Upon derecognition of debt instruments measured at FVOCI, cumulative gains or losses recognised in the consolidated statement of comprehensive income are reclassified to the consolidated income statement.

Any cumulative gain or loss recognised in the consolidated statement of comprehensive income in respect of an equity instrument designated as FVOCI is reclassified to retained earnings upon derecognition.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. Any gains or losses arising on the derecognition of a financial liability is recognised in the consolidated income statement.

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

Impairment of financial assets
The Group recognises loss allowances for expected credit losses ("ECLs") on the following instruments that are not measured at FVTPL:

- financial assets measured at amortised cost and debt instruments measured at FVOCI;
- lease receivables;
- financial guarantee contracts issued;
- loan commitments issued; and
- contract assets (as defined in IFRS 15).

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)
No impairment loss is recognised on equity instruments that are financial assets.

The Group measures impairment allowances either using the general or simplified approach as considered appropriate.

Under the general approach, impairment allowances are measured at an amount equal to 12-month ECL except when there has been a significant increase in credit risk since inception. In such cases, the Group measures impairment allowances at an amount equal to the credit loss expected over the life of the financial asset.

Lifetime ECL: These losses are the ECL that result from all possible default events over the expected life of a financial instrument, if there is a significant increase in credit risk since inception.

12-month ECL: These losses are the portion of ECL that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Under the simplified approach, impairment allowances are always measured at an amount equal to lifetime ECL.

For ECL under the simplified approach, the Group uses a provision matrix approach to measure the ECL mainly on trade receivables, retention receivables, contract receivables, loan receivables (non-banking operations) and finance lease receivables. The estimation of ECL under the provision matrix approach is based on the historical credit loss experience adjusted for forward-looking information.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired: measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired: measured as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: measured as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive upon such drawdown; and
- financial guarantee contracts: measured as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Credit losses are measured using a 'three-stage' approach based on changes in credit-quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to stage 3.
- Financial instruments in stage 1 have their ECL measured as an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on all possible default events that can take place over the lifetime of the instrument.
- ECL is measured after factoring in forward-looking information.
- ECL on purchased or originated credit-impaired financial assets is measured on a lifetime basis by the Group.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default ("PD")
- Loss Given Default ("LGD")
- Exposure at Default ("EAD")

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial asset (continued)

In order to compute ECL, PD, EAD and LGD are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on an annual basis. This effectively calculates an ECL for each future period, which is then discounted back to the reporting date and summed up. The discount rate used in ECL computation is the original effective interest rate or an approximation thereof.

Lifetime PD is determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the loans. The maturity profile is based on historically observed data.

EAD is determined based on the expected payment profile, which varies by product type:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the borrower.
- For revolving products in the Bank, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

LGD is computed at a facility level. This is based upon information such as exposure, collateral and business segment characteristics, and macro-economic outlook.

Restructured or modified financial assets

If the terms of a financial asset are renegotiated, or modified or an existing financial asset is replaced with a new one due to the financial difficulties of the borrower, then an assessment is made to ascertain whether the financial asset should be derecognised and ECLs are measured as follows:

- if the expected restructuring or modification does not result in the derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in the calculation of cash shortfalls arising from the existing asset.
- if the expected restructuring results in the derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow arising from the existing financial asset at the time of its derecognition. This amount is included in the calculation of cash shortfalls arising from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Purchased or originated credit- impaired ("POCI") assets

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value on original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. Lifetime ECLs are only recognised or released to the extent that there is a subsequent change in the ECL.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets measured at FVOCI are credit-impaired. A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties or other economic factors.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial asset (continued)

Revolving Facilities in the Bank
The Group's banking operations have product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities at a short notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Reversals of impairment
If the amount of an impairment loss decreases in a subsequent periods, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the impairment allowance account accordingly. The write-back is recognised in the consolidated income statement.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECL, including those arising from banking operations, are presented as 'net impairment losses on financial assets' in the consolidated income statement.

Derivative financial instruments and hedging
The Group uses derivative financial instruments as trading investments as well as to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. Derivative financial instruments are initially recognised at fair value on the date when a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

For the purpose of hedge accounting, a hedging relationships are categorised as either:

- hedge of an exposure to changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge);
- hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or
- hedge of a net investment in a foreign operation (net investment hedge).

Hedge accounting rules are governed by IFRS 9 and apply to financial instruments that qualify as hedging instruments and are designated in a hedging relationship such as one of the three categories listed above.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Hedge effectiveness is measured by the Group on a prospective basis at inception and prospectively over the term of the hedging relationship. Sources of ineffectiveness in hedge accounting include the impact of derivatives related credit risk on the valuation of the hedging derivative and hedged item. To mitigate this credit risk, the Group executes hedging derivatives with high quality counterparties and the majority of the Group's hedging derivatives are collateralised.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Hedges that meet the criteria for hedge accounting as defined by IFRS 9 are accounted for as follows:

Fair value hedge
When a derivative is designated as the hedging instrument in a fair value hedge of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in consolidated income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedge
When a derivative is designated as cash flow hedging instrument, the effective portion of changes in the fair value of derivative is recognised in the 'hedge reserve' within equity. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the consolidated income statement.

The accumulated gains and losses recognised in OCI are reclassified to the consolidated income statement in the periods in which the hedged item will affect profit or loss. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are removed from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively, and any cumulative gain or loss recognised in other comprehensive income at that time remains in equity until the forecast transaction is eventually recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately reclassified to the consolidated income statement.

Net investment hedges
Hedging instruments of a net investment in foreign operation often consist of derivatives such as forward contract that are accounted for in the same manner as cash flow hedges. The effective portion of changes in the fair value of the hedging instrument is recognised as other comprehensive income and presented in the 'translation reserve' within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in the consolidated income statement. The amount recognised in other comprehensive income is reclassified to the income statement as an adjustment on disposal of the foreign operation.

Inventories
Inventories are stated at the lower of cost and estimated net realisable value. Cost of materials comprises of expenditure incurred in bringing each product to its present location and condition. Cost of finished goods and work in progress comprises of cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs and is determined as below:

Petroleum products	*weighted average*
Airline inventory for internal use (excluding consumer goods)	*weighted average*
Airline consumer goods	*first-in-first-out*
Other consumable goods	*weighted average*
Contracting inventory	*first-in-first-out*

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Properties held with the intention of sale in future are classified as inventory properties under inventory. Inventory properties are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Crude oil overlifts and underlifts
Crude oil overlifts and underlifts arise on differences in quantities between the Group's entitlement production and the production either sold or held as inventory by the Group at the reporting date. Underlifts and overlifts of entitlement to crude oil production are measured at market value and recorded as a receivable and payable, respectively. The movement within an accounting period is adjusted through 'cost of revenue' in the consolidated income statement.

Work in progress and excess billings (in respect of construction contracts)
Work in progress is stated at cost plus attributable profits, less provision for any anticipated losses and progress payments received and receivable, and shown as contract receivables. Where the payments received or receivable for any contract exceed the cost plus attributable profits or less anticipated losses, the excess is shown as excess billings.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with banks, due from banks and Islamic financing and investment products with an original maturity of three months or less, net of bank overdrafts and due to banks with an original maturity of three months or less.

Maintenance reserve
One of the Group's subsidiary engaged in an aircraft leasing business has maintenance reserve. The maintenance reserve comprises of maintenance advances, lessor contributions, repossession provisions, re-lease provisions and heavy maintenance provisions. In many aircraft operating lease contracts, the lessee has the obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (supplemental amounts). In such contracts, upon presentation by the lessee of invoices evidencing the completion of qualifying work on the aircraft, the Group reimburses the lessee for the work, up to a maximum of the supplemental amounts received with respect to such work.

The Group also recognises as lease revenue during the lease term the maintenance reserves that are not expected to be reimbursed to lessee, when the Group has reliable information that the lessee will not require reimbursement of additional rentals based on a maintenance forecasting model. Where amounts expected to be reimbursed are not certain, revenue is recognised at the end of the lease.

When an aircraft is sold, the portion of the accrued liability not specifically assigned to the buyer is derecognised from the consolidated statement of financial position as part of the gain or loss on disposal of the aircraft.

Lessor contributions
At the beginning of each new lease subsequent to the first lease on a new aircraft, lessor contributions are established. They represent contractual obligations on the part of the Group to contribute to the lessee's cost of the next planned major maintenance event, expected to occur during the lease. The Group regularly reviews the level of lessor contributions required to cover its contractual obligations under current lease contracts and makes adjustments as necessary.

Lessor contributions represent a lease incentive and are recorded as a charge against lease rental income over the life of the associated lease.

Lessor contributions in respect of end of lease adjustments are recognised when the Group believes it is probable that it will be required to reimburse amounts to a lessee and the amount can be reasonably estimated.

Frequent flyer programme ("Skywards")
The Group's airline subsidiaries operate a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on the Group's airlines and other airlines that participate in the programme. Members can also accrue miles by utilising the services of non-airline programme participants.

These subsidiaries account for Skywards miles (predominantly accrued through the sale of flight tickets or purchase of miles by programme partners) as a separately identifiable component of the sale transactions in which they are granted. The consideration in respect of the initial sale is allocated to Skywards miles based on their stand-alone selling price, adjusted for expected expiry and the extent to which the demand for an award cannot be met, and is accounted for as 'deferred revenue' under 'trade and other payables' in the consolidated statement of financial position. The standalone selling price is determined using the adjusted market assessment approach, using estimation techniques and taking into consideration the various redemption options available to Skywards members. Marketing income earned from partners associated with the programme is recognised when the miles are issued.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frequent flyer programme ("Skywards") (continued)
Revenue for redemption of miles is recognised in the consolidated income statement only when they fulfil its obligations by supplying free or discounted goods or services on redemption of the miles accrued, or when the validity of the miles expires.

Abandonment and decommissioning costs
A PSA provides for a fixed proportion of the proceeds of the Group's oil production to be set aside in an escrow bank account to meet abandonment and decommissioning costs of wells, platforms and other facilities and is not therefore available for other purposes. In accordance with the terms of a PSA, abandonment and decommissioning obligations are limited to the accumulated abandonment and decommissioning funds set aside in an escrow account.

Employees' end of service benefits
The Group operates or participates in various end of service benefit plans that are classified either as defined contribution or defined benefit plans.

A defined contribution plan is a pension scheme under which the relevant subsidiary pays a fixed contribution and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to settle the benefits relating to the employees service in the current and prior periods. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets at this date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the reporting date of high quality bonds that have terms to maturity approximating the estimated term of the post-employment benefit obligations.

Actuarial gains and losses for defined benefit plan are fully recognised in retained earnings through consolidated statement of comprehensive income in the period in which they arise.

UAE national employees participate in the UAE government's pension fund to which the employee and the Group contribute a specified percentage of salary. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

End of service benefits for other employees are provided for as per UAE labour law or in accordance with other relevant local regulation.

Borrowings
Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated income statement over the period of the borrowing using the effective interest method.

Interest or profit is payable on various facilities, bank borrowings and bank loans at normal commercial rates. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs commences from the date of incurring the expenditure related to the qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. Borrowing costs relating to the period after acquisition or construction are expensed.

Gains and losses arising from derecognition of the liabilities are recognised in the consolidated income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of liabilities for at least 12 months after the reporting date.

Sale and repurchase agreements
Securities sold subject to repurchase agreements ("repos") are disclosed in the Group's consolidated financial statements when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included as a separate deposit. Securities purchased under agreements to resell ("reverse repos") are recorded as loans to and receivables from other banks or customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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 Group 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. Expenses relating to provisions are presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Policy applicable before 1 January 2019

The provision for aircraft return conditions represents the estimate of the cost required to meet the contractual return conditions on certain aircraft and engines held under operating leases. The present value of the expected cost is recognised over the lease term considering the existing fleet plan and long-term maintenance schedules.

Policy applicable from 1 January 2019

The provision for aircraft return conditions (restoration cost) represents the estimate of the cost required to meet the contractual lease end obligations on certain aircraft and engines at the end of the associated lease. The present value of the expected cost considering the existing fleet plan and long-term maintenance schedules is capitalised as part of right-of-use asset and depreciated over the lease term.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but is disclosed when an inflow of economic benefits is probable.

Financial guarantees and undrawn loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are carried at amortised cost when a payment under the contract has become probable.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a financing with pre-specified terms to the customer.

Financial guarantees issued and undrawn loan commitments are initially measured at fair value (which is the premium received on issuance). The received premium is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

Taxes

Income tax expense comprise current and deferred tax. Income tax expense also includes any interest, fines and penalties payable to the relevant tax authorities in the jurisdictions in which the Group entities operate.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, that affects neither accounting nor taxable profit or loss; and
- in respect of temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred tax (continued)
Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which they can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is expected to be realised or the liability is expected to be settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- expected to be realised or intended to sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities, respectively.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations
Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through their continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to sell, and the sale transaction should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A disposal group qualifies as discontinued operation if it is a component of the Group that is a CGU or a group of CGUs, that either has been disposed of, or is classified as held for sale or distribution, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the consolidated statement of financial position. Results of the discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is considered to be the senior management of ICD, who makes strategic decisions and is responsible for the overall allocation of resources and assessment of performance of the operating segments.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The following are information about the key sources of estimation uncertainty where management of the relevant entities exercised judgments and made assumptions that have a material impact over the carrying value of assets and liabilities.

Classification of financial assets
When the Group classifies financial assets, it makes judgments and estimates to:
- assess the business model within which the assets are held and whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amounts outstanding;
- determine the classification of certain financial assets as measured at FVTPL or at FVOCI; and
- determine fair value at the time of reclassification i.e. on initial adoption of IFRS 9.

Calculation of ECL

Assessment of significant increase in credit risk
While estimating ECL, the Group assumes that the credit risk on a financial asset has significantly increased since initial recognition when there is an objective evidence or key risk indicators to support it.

IFRS 9 contains a rebuttable presumption that instruments that are 30 days past due have experienced a significant increase in credit risk.

The Group performs the following analysis to find objective evidence or key risk indicators of increased credit risk:

- The Group compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at origination.
- The Group performs additional qualitative reviews to assess the significant increase in credit risk and make adjustments, as necessary, to better reflect the positions that have significantly increased in risk.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Calculation of ECL (continued)

Assessment of significant increase in credit risk (continued)
The Group reviews its financial assets to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a financial asset or homogenous group of financial assets. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

Macroeconomic factors and forward-looking information
IFRS 9 requires an unbiased and probability weighted estimate of credit losses obtained by evaluating a range of possible outcomes that incorporate forecasts of future economic conditions. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since inception. The measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors and forward-looking information – specific to the Bank
PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) such as occupancy rates, oil prices, housing price index and GDP (where applicable), that are closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation will have forecasts of the relevant macroeconomic variables. The estimation of ECL in Stage 1 and Stage 2 is a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario is based on macroeconomic forecasts published by the external experts and other publicly available data. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios are probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis (if required). All scenarios considered are applied to all portfolios subject to ECL with the same probabilities.

Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed.

In some instances, the inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Such cases are subjected to the Bank's Governance process for oversight.

Definition of default
The definition of default followed by the Group for impairment assessment is in line with the guidelines of IFRS 9. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Expected life
When estimating ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All applicable contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Fair value of financial instruments
The fair value of investments that are actively traded on organised financial market is determined by reference to quoted market bid prices at the close of business of the reporting date. Where the fair value of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, it is determined using a variety of valuation techniques and valuation models, depending on the financial instrument type and available market data. The input to these models is taken from observable market data where possible, and where not possible, a degree of judgment is required in establishing fair values.

For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

Revenue from contracts with customers

Satisfaction of performance obligations
The Group assesses its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of revenue recognition.

Determination of transaction prices
The Group determines the transaction price in respect of each of its contracts with customers. In doing so, the Group assesses the impact of variable considerations, significant financing components and non-cash considerations included in the contract.

Allocation of transaction price to performance obligation in contracts with customers
A transaction price is allocated to each performance obligation on the basis of their stand-alone selling prices. The Group estimates standalone selling price as a price at which a promised good or service is sold separately to a customer in the market. Where an observable market price is not available, 'the adjusted market assessment approach', 'the expected cost plus margin approach' or 'the residual method', as relevant, may be used to estimate the stand-alone selling price.

Method to recognise revenue over time
The Group exercises significant judgment to evaluate whether to apply the input method or output method in allocating the transaction price to performance obligations when revenue is recognised over a period of time. The Group may select an appropriate output or input method based on business segment or products or services in such business segment. However, the Group applies the method consistently to similar performance obligations and in similar circumstances.

In applying the input method, the Group estimates the costs to complete the projects in order to determine the amount of revenue to be recognised. The Group uses the output method where performance is measured based on the direct value of the goods or services transferred to date to the customers, in comparison to the remaining goods or services to be provided under the contract.

Transfer of control in contract with customer
Where the Group determines that performance obligations are satisfied at a single point in time, revenue is recognised when the control over the asset is transferred to the customer. Significant judgment is required to evaluate when the control is transferred to the customer.

Passenger and cargo revenue recognition
The Group's subsidiaries recognise passenger and cargo sales as revenue when each performance obligation for the transportation service is fulfilled. The value of unused revenue documents is held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Passenger ticket related breakage is estimated based on historical trends and recognised in the consolidated income statement proportionally with each transfer of service to the customer. A 5% change to the breakage percentage will not result in a material change to passenger and cargo revenue.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment losses on property, plant and equipment, investment properties and development properties ("Properties")
The Group reviews its Properties to assess at each reporting date whether there are any indications of impairment. In determining whether impairment losses should be reported in the consolidated income statement, the Group assesses whether there is any observable data indicating that there is a reduction in the carrying value of its Properties (i.e. whether the carrying value of the Properties is not recoverable and is in excess of its fair value). Where there is an identified loss event or a condition which, based on previous experience, is evidence of a reduction in the carrying value of the Properties, an allowance for impairment is made to bring the carrying value to the higher of value-in-use and fair value less cost to sell.

Depreciation of property, plant and equipment and investment properties
The Group determines the useful lives and residual values of property, plant and equipment and investment properties based on the intended use and the economic lives of those assets. Subsequent changes in circumstances due to factors such as technological advancement or a change in the prospective utilisation of these assets could result in the actual useful lives or residual values differing from initial estimates.

Aircraft held for lease
In arriving at the carrying value of the aircraft held for lease, the Group estimates useful lives, fair value of leases and residual values of aircraft. In doing so, the Group relies upon actual industry experience, supported by estimates received from independent appraisers, for the same or similar aircraft types and considering the Group's anticipated utilisation of the aircraft.

For the purpose of impairment assessment of aircraft held for lease, the key assumptions include estimates of discount rate applied to forecast cash flows, future lease rates and residual value at the end of the aircraft's life. A significant level of judgment is exercised by management given the long-term nature and diversity of inputs that go into determining these estimates. A 0.5% change in discount rate, 10% change in the future rental income of each aircraft and 10% change in the residual value of aircraft at the end of its useful life would not have resulted in a material impact on the impairment charge for the year ended 31 December 2019.

Development and production assets – depletion
In arriving at the carrying value of the Group's development and production assets, significant assumptions have been made in respect of the depletion charge. These significant assumptions include estimates of oil and gas reserves, future oil and gas prices, signing of the gas sales agreement and estimates of future development costs including the cost of drilling, infrastructure facilities and other capital and operating costs.

The depletion charge computation assumes the continued development of the field to extract the assessed oil and gas reserves and the required underlying capital expenditure to achieve the same.

Frequent flyer programme
The Group's airline subsidiaries account for Skyward miles (predominantly accrued through sale of flight tickets or purchase of miles by programme partners) as a separately identifiable component of the sale transaction in which they are granted. The consideration in respect of the initial sale is allocated to Skyward miles based on their stand-alone selling price and is accounted for as 'deferred revenue' under 'trade and other payables' in the consolidated statement of financial position.

The stand-alone selling price is determined using an adjusted market assessment approach. The adjusted market assessment approach involves the use of estimation techniques to determine the standalone value of Skyward miles and reflect the weighted average of a number of factors i.e. fare per sector, flight upgrades and partner rewards using historical trends. Adjustments to the stand-alone selling price of miles are also made in consideration of those miles not expected to be redeemed by programme members and of the extent to which the demand for an award cannot be met.

A level of judgment is exercised by management due to the diversity of inputs that go into determining the stand-alone selling price of miles. A reasonably possible change to any single assumption will not result in a material change to the deferred revenue.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provision for aircraft return conditions
The measurement of the provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by the Group's subsidiaries operating in the aviation sector. A significant level of judgment is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. A reasonably possible change in any single assumption will not result in a material change to the provision.

Determination of lease term under IFRS 16 (applicable from 1 January 2019)
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. To determine the term of a lease, the Group considers all relevant factors that create an economic incentive for an extension option or a termination option. Extension options (or periods covered by an option to terminate the lease) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated). To ascertain whether it is reasonably certain for the Group to exercise these options, the Group takes into consideration lease termination penalties that would be incurred, leasehold improvements that are estimated to have significant remaining value, historical lease durations and the cost associated to business disruption caused by replacing the leased asset.

Classification of finance lease – Group as a lessee (applicable before 1 January 2019)
A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred to the Group. In determining the appropriate classification, the substance of the transaction rather than its form is considered. Factors considered include but are not limited to the following:

- whether the lease transfers ownership of the asset to the lessee by the end of the lease term;
- whether the lessee has the option to purchase the asset at the price that is sufficiently lower than the fair value on exercise date;
- whether the lease term is for the major part of the economic life of the asset; and
- whether the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Impairment of investments in associates and joint ventures (equity accounted investments)
At each reporting date, an assessment is made to ascertain whether there is any objective evidence of impairment in the carrying values of investments in associates and joint ventures. In such instances, the investment is subject to an impairment test carried out by comparing the carrying amount to the recoverable amount of the asset. Considering the long term nature of these investments, the recoverable amount is usually determined based on a value-in-use calculations. Calculating the value-in-use implies obtaining cash flow forecasts from the management of the equity accounted entities. Publicly listed companies often operate under restrictions due to the applicable listing regulations on disclosure of information to a selective group of the equity holders and, therefore for such investments, the Group develops its own estimated cash flows using publicly available data or analysts' forecasts, as appropriate.

Impairment of other non-financial assets
The Group assesses whether there is any indicator of impairment in the carrying value of other non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and selects a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of intangible assets on acquisition
For each acquisition, the Group assesses the fair value of intangible assets acquired. In instances where the fair value of individual assets in a CGU cannot be measured reliably, a single asset is recognised separately from goodwill. Where the fair value of an intangible asset cannot be determined by reference to the value of assets on an active market, this fair value is established using valuation techniques e.g. discounting the future cash flows of the assets. In the process, estimates are made of future cash flows, the useful life and the discount rate based on the Group's experience and expectation at the time of acquisition.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Amortisation of intangible assets

The Group assigns useful lives and residual values to intangible assets based on the intended use of the assets, the underlying contractual or legal rights and historical experience. Subsequent changes in circumstances due to factors such as technological advancement, changes in the terms of the underlying contracts or prospective utilisation of these assets result in the useful lives or residual values differing from initial estimates. The Group reviews the residual values and useful lives of major intangible assets and makes adjustments where necessary.

Provision for obsolete inventory

The Group reviews its inventory to assess on a regular basis losses due to obsolescence. In determining whether a provision for obsolescence should be recognised in the consolidated income statement, the Group assesses whether there is any observable data indicating that there are future adverse factors affecting the saleability of a product and the net realisable value for such product. Accordingly, a provision for impairment is recognised where the net realisable value is less than its cost based on management's best estimates. The provision for obsolescence of inventory is based on past movement including future expected consumption or age analysis.

Contingent liability arising from litigations

Due to the nature of its operations, the Group may be involved in litigation arising in the ordinary course of business. Provision for contingent liabilities arising from litigation are based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its assessment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation purposes and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its assessment.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits is determined using a number of methods including actuarial valuations. This process involves making assumptions about expected rates of return on assets, discount rates, future salary increases, mortality rates and future pension increases and the assessment of the materiality of the amounts involved. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgment is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax payable based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

3 OTHER OPERATING INCOME

	2019 *AED'000*	*2018* *AED'000*
Net (loss) / gain on disposal of property, plant and equipment, right-of-use assets, investment properties, intangible assets and sale and leaseback of aircraft	**(36,884)**	534,039
Net gain on disposal of assets and liabilities classified as held for sale	**278,572**	120,569
Manufacturers' credits and liquidated damages	**436,914**	646,867
Vendors' support fee income	**315,252**	321,859
Net gain on sale of debt instruments measured at FVOCI	**79,001**	11,828
Net change in fair value of investment securities measured at FVTPL	**108,620**	(309,169)
Site rentals	**209,725**	197,128
Net foreign exchange gains	**2,048,453**	999,424
Others	**2,462,175**	2,042,191
	5,901,828	4,564,736

4 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2019 *AED'000*	*2018* *AED'000*
Impairment loss on loans and receivables - net of recoveries (see note 21.2)	**4,332,473**	1,595,748
Impairment loss on Islamic financing and investment products – net of recoveries (see note 20.2)	**818,475**	564,839
Impairment loss on trade and other receivables - net of recoveries (see note 19.2)	**204,230**	240,072
Impairment loss on other non-current assets – net of recoveries (see note 17.3)	**15,127**	10,020
Impairment (reversal) / loss on investment securities - net	**(10,532)**	16,442
Impairment (reversal) / loss on cash and deposits with banks - net	**(20,897)**	49,914
Bad debt recovery - net of other losses	**(247,127)**	(396,568)
	5,091,749	2,080,467

5 OTHER FINANCE INCOME

	2019 *AED'000*	*2018* *AED'000*
Interest income and profit earned from bank deposits and investing activities	**775,952**	1,104,243
Interest income and profit earned from associates and joint ventures (see note 36(a))	**560,926**	529,613
Interest income and profit earned from the Government, Ministry of Finance of the UAE ("MOF") and other related parties (see note 36(a))	**341,336**	412,788
Other interest income and profit	**91,309**	107,634
	1,769,523	2,154,278

6 OTHER FINANCE COSTS

	2019 *AED'000*	*2018* *AED'000*
Finance costs on borrowings	**4,615,947**	3,032,506
Finance charges on lease liabilities / finance lease liabilities	**3,543,701**	1,464,835
Interest / profit on loans from associates and joint ventures (see note 36(a))	**434,733**	491,334
Interest / profit on loans from Government, MOF and other related parties (see note 36(a))	**479,221**	374,194
Others	**661,893**	605,001
	9,735,495	5,967,870

7 INCOME TAX EXPENSE

The components of income tax expense are as follows:

	2019 *AED'000*	*2018* *AED'000*
Current income tax		
Current income tax charge	**675,957**	670,056
Deferred income tax		
Relating to origination and reversal of temporary differences (see below)	**250,381**	216,902
Income tax expense	**926,338**	886,958

Deferred income tax
Deferred income tax at year-end relates to the following:

	Consolidated statement of financial position 2019 AED'000	***Consolidated income statement 2019 AED'000***
Deferred tax liabilities		
Accelerated depreciation for tax purposes	**2,914,538**	**45,487**
Tax effect of intangible assets and other timing differences	**(613,066)**	**219,638**
	2,301,472	**265,125**
Deferred tax assets		
Losses available for offset against future taxable income	**143,329**	**(23,611)**
Other timing differences	**943,075**	**8,867**
	1,086,404	**(14,744)**
Deferred income tax		**250,381**

	Consolidated statement of financial position 2018 AED'000	*Consolidated income statement 2018 AED'000*
Deferred tax liabilities		
Accelerated depreciation for tax purposes	2,861,691	214,400
Tax effect of intangible assets and other timing differences	(1,020,966)	40,637
	1,840,725	255,037
Deferred tax assets		
Losses available for offset against future taxable income	10,543	2,671
Other timing differences	217,272	(40,806)
	227,815	(38,135)
Deferred income tax		216,902

A significant part of the Group's operations is carried out within the UAE and currently the Group's operations in the UAE are not subject to corporation tax. Some of the Group's subsidiaries operating abroad secured tax exemptions by virtue of double taxation avoidance agreements and reciprocal arrangements in most of the jurisdictions in which they operate. Income tax therefore relates only to certain overseas subsidiary companies and operations that are subject to income tax.

7 INCOME TAX EXPENSE (continued)

The relationship between the tax expense and the accounting profit can be broadly explained as follows:

	2019 ***AED'000***	*2018* *AED'000*
Profit for the year before income tax	**25,923,853**	22,278,043
Of which profit arising from taxable jurisdictions is:	**2,407,506**	3,890,628

	2019 ***AED'000***	*2018* *AED'000*
Tax calculated at domestic tax rates applicable to profits arising in taxable jurisdictions	**630,433**	770,820
Effect of non-deductible expenses	**334,331**	68,570
Effect of income exempt from tax	**(64,739)**	(19,706)
Prior period adjustment / release of provision	**8,187**	4,575
Impact of tax rate change - net	**7,755**	(24,419)
Effect of other items - net	**10,371**	87,118
Income tax expense - net	**926,338**	886,958

8 PROFIT FOR THE YEAR

	2019 ***AED'000***	*2018* *AED'000*
Profit for the year is stated after charging the following:		
Staff costs	**30,263,855**	29,468,024
Rental - operating leases (2018: mainly includes aircraft operating lease expense)	**1,052,404**	12,799,580
Depreciation and impairment charge on property, plant and equipment, right-of-use assets, investment properties and development properties (see notes 10, 11, 13 and 14)	**27,378,370**	16,012,186
Amortisation and impairment charge on intangible assets and release of advance lease rentals (see notes 12 and 17.2)	**1,798,760**	1,591,645

Staff costs include pension costs of AED 117,003 thousand (2018: AED 110,167 thousand), other post-employment benefits of AED 1,147,977 thousand (2018: AED 1,072,969 thousand), and employee profit share scheme expense of AED 92,791 thousand (2018: AED 93,529 thousand).

9 BUSINESS COMBINATIONS

(a) Acquisition of DenizBank A.S.

On 31 July 2019, the Group completed a transaction with Sberbank of Russia to acquire a 99.85% ownership of DenizBank A.S. (“DenizBank”). Subsequent to this date, as per the requirements of Turkish Capital Markets Board for a mandatory tender offer and after exercising squeeze out rights, the Group acquired the remaining 0.15% ownership stake. As a result, the Group holds a 100% equity ownership in DenizBank as at 31 December 2019.

The Group recorded the fair value of the assets and liabilities of DenizBank at the date of acquisition, as summarised below:

	AED’000
Property, plant and equipment	871,188
Right-of-use assets	399,642
Intangible assets	1,028,615
Investment properties	135,444
Investment in associates and joint ventures	17,023
Investment securities	13,242,009
Loans and receivables	87,767,147
Cash and deposits with banks	26,911,579
Positive fair value of derivatives	1,296,793
Deferred tax assets	885,806
Inventories	224,232
Trade and other receivables	4,265,042
Customer acceptances	110,361
Employees' end of service benefits	(111,502)
Borrowings and lease liabilities	(22,190,000)
Negative fair value of derivatives	(856,579)
Customer deposits	(98,931,000)
Trade and other payables	(4,848,105)
Customer acceptances	(110,361)
Fair value of the net assets acquired	**10,107,334**
Gain on bargain purchase	**(92,020)**
Purchase consideration	**10,015,314**

	AED’000
Analysis of cash flow on acquisition:	
Cash and cash equivalents acquired	6,260,147
Consideration paid	(10,015,314)
Net cash outflow on acquisition	**(3,755,167)**

Costs of acquisition are included within general, administrative and other expenses in the consolidated income statement.

The gain on bargain purchase (based on the provisional purchase price allocation) represents the difference between the purchase consideration and the fair value of net assets acquired and is recognised as ‘other income’ in the consolidated income statement.

The acquired entity contributed revenue of AED 6,809 million and profit of AED 609 million to the Group from the acquisition date to 31 December 2019. If the acquisition had taken place at the beginning of the year, DenizBank’s contribution to the Group’s revenue and the Group’s profit would have been AED 16,245 million and AED 1,064 million respectively.

9 BUSINESS COMBINATIONS (continued)

(b) Increase in the shareholding of Dubai Aerospace Enterprise (DAE) Limited

During the current year, Dubai Aerospace Enterprise (DAE) Limited ("DAE"), a subsidiary of ICD, repurchased certain ordinary shares held by Emaar Properties PJSC, a non-controlling shareholder of DAE and an associate of the Group. Following the repurchase, DAE is now 100% owned by the Group (31 December 2018: 95.74%). As a result, AED 550,368 thousand of non-controlling interests acquired by the Group were transferred from 'non-controlling interests' to 'equity attributable to the equity holder of ICD' and classified as 'change in Group's ownership in existing subsidiaries' in the consolidated statement of changes in equity.

(c) Acquisition of Qantas Catering

During the prior year, the Group acquired a 100% ownership of Snap Fresh Pty Limited and Qantas Catering Group Limited, which are together referred to as the Qantas Catering business ("Qantas Catering"), whose primary business is to prepare in-flight meals mainly for Qantas and few other airlines and provide airline catering logistics in Australia.

The Group recorded the fair value of the assets and liabilities of Qantas Catering at the date of acquisition, as summarised below:

	AED'000
Fair value of the net assets acquired	185,448
Goodwill	193,044
Purchase consideration	**378,492**

	AED'000
Analysis of cash flow on acquisition:	
Consideration paid	(378,492)
Net cash outflow on acquisition	**(378,492)**

(d) Additional stake in Kerzner International Holdings Limited

During the prior year, the Group acquired an additional stake in one of its subsidiaries, Kerzner International Holdings Limited, for AED 599,760 thousand, thus increasing its ownership to 99.99%.

(e) The Group acquired or incorporated a number of other immaterial subsidiaries during the current year. Moreover, during the current year the Group's shareholding in a number of subsidiaries changed and individually these had no significant impact on the Group.

10 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery, equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft, aircraft engines and parts AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
Balance at 1 January 2019	42,264,451	7,448,606	31,373,334	19,828,778	157,286,686	11,093,652	269,295,507
Impact on adoption of IFRS 16 (see note 2.2)	(2,885,548)	(6,516)	(106,794)	-	(2,839,893)	-	(5,838,751)
Restated balance at 1 January 2019	39,378,903	7,442,090	31,266,540	19,828,778	154,446,793	11,093,652	263,456,756
Transfers from investment properties (see note 13)	95,400	633	-	-	-	-	96,033
Transfers (to) / from development properties (see note 14)	(70,942)	7,843	8,131	-	-	(16,005)	(70,973)
Transfers to assets held for sale	-	-	-	-	(3,916,109)	-	(3,916,109)
Other transfers	842,581	207,582	310,467	-	7,968,920	(9,329,550)	-
Additions during the year	442,877	562,376	2,670,184	3,428,423	3,224,117	11,624,814	21,952,791
Acquired on business combination	453,253	2,369	1,618,272	-	-	-	2,073,894
Disposals during the year	(506,797)	(265,193)	(1,837,276)	-	(1,625,532)	(97,504)	(4,332,302)
Write-off during the year	(1,360)	(1,036)	-	-	(115,369)	(40)	(117,805)
Translation differences	(21,655)	2,318	7,979	-	(308)	1,690	(9,976)
At 31 December 2019	**40,612,260**	**7,958,982**	**34,044,297**	**23,257,201**	**159,982,512**	**13,277,057**	**279,132,309**
Accumulated depreciation and impairment:							
Balance at 1 January 2019	12,282,963	5,660,094	17,795,836	12,242,450	42,131,935	5,648	90,118,926
Impact on adoption of IFRS 16 (see note 2.2)	(292,367)	(5,876)	(17,989)	-	(343,443)	-	(659,675)
Restated balance at 1 January 2019	11,990,596	5,654,218	17,777,847	12,242,450	41,788,492	5,648	89,459,251
Depreciation and impairment charge for the year (see note 8)	1,464,991	696,130	4,066,262	1,415,713	8,530,402	698	16,174,196
Transfers from investment properties (see note 13)	1,587	8	-	-	-	-	1,595
Transfers to assets held for sale	-	-	-	-	(1,509,473)	-	(1,509,473)
Acquired on business combination	165,106	1,414	982,270	-	-	-	1,148,790
Related to disposals during the year	(397,340)	(225,274)	(1,751,505)	-	(798,463)	(283)	(3,172,865)
Related to write-off during the year	(129)	(922)	-	-	(41,028)	-	(42,079)
Translation differences	(4,182)	(357)	11,473	-	(308)	383	7,009
Other transfers	2	22,187	(22,189)	-	-	-	-
At 31 December 2019	**13,220,631**	**6,147,404**	**21,064,158**	**13,658,163**	**47,969,622**	**6,446**	**102,066,424**
Net book value:							
At 31 December 2019	**27,391,629**	**1,811,578**	**12,980,139**	**9,599,038**	**112,012,890**	**13,270,611**	**177,065,885**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery, equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft, aircraft engines and parts AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
Balance at 1 January 2018	39,894,436	7,148,964	28,574,662	18,520,336	145,154,024	13,727,918	253,020,340
Transfers from investment properties (see note 13)	-	911	-	-	-	-	911
Transfers from development properties (see note 14)	13,675	-	676	-	-	-	14,351
Transfers to assets held for sale	-	-	-	-	(5,239,532)	(55,460)	(5,294,992)
Other transfers	1,536,901	166,142	578,957	-	17,178,497	(19,460,497)	-
Additions during the year	1,018,719	523,990	4,370,384	1,308,442	4,169,347	16,847,871	28,238,753
Acquired on business combination	365,853	58,163	159,629	-	-	108,444	692,089
Disposals during the year	(450,649)	(380,014)	(2,160,990)	-	(3,792,294)	(71,240)	(6,855,187)
Write-off during the year	(2,632)	(1,841)	(13,087)	-	(182,960)	-	(200,520)
Translation differences	(111,852)	(67,709)	(136,897)	-	(396)	(3,384)	(320,238)
At 31 December 2018	42,264,451	7,448,606	31,373,334	19,828,778	157,286,686	11,093,652	269,295,507
Accumulated depreciation and impairment:							
Balance at 1 January 2018	11,168,922	5,359,274	15,958,073	11,083,443	36,524,417	1,731	80,095,860
Depreciation and impairment charge for the year (see note 8)	1,558,825	687,699	3,859,428	1,159,007	7,980,478	4,461	15,249,898
Transfers to assets held for sale	-	-	-	-	(1,043,939)	-	(1,043,939)
Acquired on business combination	51,263	43,901	42,658	-	-	-	137,822
Related to disposals during the year	(438,916)	(370,327)	(2,001,745)	-	(1,304,253)	(544)	(4,115,785)
Related to write-off during the year	(2,508)	(1,808)	(14,275)	-	(24,376)	-	(42,967)
Translation differences	(54,740)	(42,946)	(63,885)	-	(392)	-	(161,963)
Other transfers	117	(15,699)	15,582	-	-	-	-
At 31 December 2018	12,282,963	5,660,094	17,795,836	12,242,450	42,131,935	5,648	90,118,926
Net book value:							
At 31 December 2018	29,981,488	1,788,512	13,577,498	7,586,328	115,154,751	11,088,004	179,176,581

10 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Land, buildings and leasehold improvements include:

(i) land with a carrying value of AED 5,481,585 thousand (2018: AED 5,836,726 thousand);

(ii) certain buildings and leasehold improvements that are constructed on plots of land granted by the Government. The Group accounted for these non-monetary government grants at nominal value; and

(iii) certain business premises that are erected on plots of land obtained on a leasehold basis from the Government/third parties. Management believes that the leases are renewable and that the land will be available to the Group on an ongoing basis for the foreseeable future.

(b) During the current year, one of Group's subsidiaries completed the acquisition of working interests in certain producing and exploration concessions in the area of Gulf of Suez, Egypt. The acquisition cost of the working interests amounted to USD 594.2 million (AED 2,183.7 million) and is recognised under 'oil and gas interests' as an addition during the year.

(c) Borrowing costs of AED 359,340 thousand (2018: AED 295,237 thousand) have been capitalised during the year.

(d) Capital work-in-progress mainly includes:

(i) pre-delivery payments of AED 3,513,649 thousand (2018: AED 3,628,554 thousand) in respect of aircraft deliveries;

(ii) amounts related to the construction of a pipeline, a gas processing plant, berth facilities, a refinery plant and retail sites; and

(iii) amounts related to the construction of hospitality assets.

(e) Aircraft, aircraft engines and parts include aircraft with a carrying value of AED 33,838,114 thousand (2018: AED 33,904,962 thousand) representing those given on operating leases to various operators. It also includes a carrying value of AED 2,001,607 thousand (2018: AED 2,777,249 thousand) representing maintenance right assets.

(f) Plant, machinery, equipment and vehicles include a refinery plant in Jebel Ali, Dubai constructed by a Group subsidiary on leasehold land granted at a nominal lease rent from the Government. The lease is initially for a period of 15 years and can be renewed for a further period of 15 years.

During the year, based on the market conditions and changes in the business environment, an impairment assessment of the Jebel Ali refinery plant was carried out. The recoverable amount of the Jebel Ali refinery plant was computed based on its value-in-use, determined by discounting the future cash flows to be generated from the continuing use of the refinery plant.

The key assumptions used in the estimation of the recoverable amount are as follows:

Discount rate	7.09%
Production in barrels	202,825 bopd
Years of forecast	5 years
Extended forecast period	up to economic useful life of refinery

The cash flow projections included specific estimates for five years. They were extended further using normalised cost and income assumptions without any impact of inflation. In addition, the first five years of projections were discounted using the nominal discount rate and the extended years' cash flow were discounted using real discount rate (nominal minus the long-term inflation).

Based on this assessment, the Group did not record any impairment loss in the current year as the recoverable amount is higher than the carrying value as at the reporting date.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Management has identified that a reasonably possible change in three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the changes required in these three assumptions for the estimated recoverable amount to be equal to the carrying amount.

Discount rate	Increase by 3.7%
Production capacity	Decrease by 28.1%
Gross margin	Decrease by 16.6%

11 RIGHT-OF-USE ASSETS

Movements in right-of-use assets during the year are as follows:

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery, equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft, aircraft engines and parts AED'000*	*Total AED'000*
Impact on adoption of IFRS 16 (see note 2.2)	9,817,698	205,910	391,126	940,164	59,566,325	70,921,223
Additions during the year	1,688,708	15,743	219,429	91,331	283,532	2,298,743
Acquired on business combination	399,642	-	-	-	-	399,642
Depreciation charge for the year (see note 8)	(1,783,059)	(24,962)	(239,393)	(323,687)*	(8,523,113)	(10,894,214)
Remeasurements	(201,043)	58	85,301	-	(391,369)	(507,053)
Disposals during the year	(32,820)	(103,587)	(31,875)	-	-	(168,282)
Translation differences	3,557	141	(1,669)	-	-	2,029
At 31 December 2019	**9,892,683**	**93,303**	**422,919**	**707,808**	**50,935,375**	**62,052,088**

* This includes depreciation charge of AED 240,243 thousand, which is recognised as an addition to the cost of 'oil and gas interests' within 'property, plant and equipment' during the year, as it is eligible for capitalisation. Accordingly, such amount is not included as an expense for the year in the consolidated income statement.

12 INTANGIBLE ASSETS

	Licences and exclusive rights AED'000	*Goodwill AED'000*	*Customer relationships and order backlog AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Brands, trade names and contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2019	11,611,455	13,233,709	1,130,040	2,721,700	1,728,078	2,872,313	511,627	33,808,922
Additions during the year	129	-	34,475	169,713	427,226	2,113,103	313,008	3,057,654
Acquired on business combination	-	63,250	376,096	396	277,088	375,431	-	1,092,261
Disposals during the year	-	-	(50)	(10,260)	(132,263)	-	-	(142,573)
Write-off during the year	-	-	(58,822)	-	-	-	(2,530)	(61,352)
Other transfers	-	-	-	191,427	-	-	(191,427)	-
Translation differences	25,546	(11,334)	(22,644)	8,825	(17,859)	(8,406)	651	(25,221)
At 31 December 2019	**11,637,130**	**13,285,625**	**1,459,095**	**3,081,801**	**2,282,270**	**5,352,441**	**631,329**	**37,729,691**
Accumulated amortisation and impairment:								
Balance at 1 January 2019	2,928,616	244,868	615,643	1,753,488	935,584	898,144	-	7,376,343
Amortisation and impairment charge for the year (see note 8)	383,425	2,028	148,914	362,085	654,557*	247,751	-	1,798,760
Related to disposals during the year	-	-	-	(7,792)	-	(577)	-	(8,369)
Related to write-off during the year	-	-	(58,822)	-	-	-	-	(58,822)
Translation differences	4,336	4,851	2,385	(147)	(613)	15,765	-	26,577
At 31 December 2019	**3,316,377**	**251,747**	**708,120**	**2,107,634**	**1,589,528**	**1,161,083**	**-**	**9,134,489**
Net book value:								
At 31 December 2019	**8,320,753**	**13,033,878**	**750,975**	**974,167**	**692,742**	**4,191,358**	**631,329**	**28,595,202**

* This includes an impairment charge of AED 609,348 thousand (2018: AED Nil) on certain exploration and evaluation assets recognised by one of the Group's subsidiaries during the year.

12 INTANGIBLE ASSETS (continued)

	Licences and exclusive rights AED'000	*Goodwill AED'000*	*Customer relationships and order backlog AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Brands, trade names and contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2018	11,618,158	12,995,866	1,269,891	2,371,530	1,576,250	2,890,998	291,487	33,014,180
Additions during the year	-	-	310	87,595	191,600	11	476,136	755,652
Acquired on business combination	-	351,947	41,070	27,194	-	3,594	-	423,805
Disposals during the year	-	-	-	(9,421)	(39,375)	(258)	-	(49,054)
Write-off during the year	-	-	(158,121)	(5,821)	-	-	-	(163,942)
Other transfers	-	-	-	258,961	-	-	(258,961)	-
Translation differences	(6,703)	(114,104)	(23,110)	(8,338)	(397)	(22,032)	2,965	(171,719)
At 31 December 2018	11,611,455	13,233,709	1,130,040	2,721,700	1,728,078	2,872,313	511,627	33,808,922
Accumulated amortisation and impairment:								
Balance at 1 January 2018	2,531,449	184,886	660,997	1,472,136	916,575	831,729	-	6,597,772
Amortisation and impairment charge for the year (see note 8)	401,699	67,086	127,251	290,718	19,667	84,876	-	991,297
Acquired on business combination	-	-	-	6,052	-	-	-	6,052
Related to disposals during the year	-	-	-	(4,475)	(492)	(4,484)	-	(9,451)
Related to write-off during the year	-	-	(158,117)	(5,821)	-	-	-	(163,938)
Translation differences	(4,532)	(7,104)	(14,488)	(5,122)	(166)	(13,977)	-	(45,389)
At 31 December 2018	2,928,616	244,868	615,643	1,753,488	935,584	898,144	-	7,376,343
Net book value:								
At 31 December 2018	8,682,839	12,988,841	514,397	968,212	792,494	1,974,169	511,627	26,432,579

12 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets
A significant proportion of goodwill and other intangible assets with indefinite useful lives as at 31 December 2019 relates to Emirates NBD PJSC, Emirates, dnata, Borse Dubai Limited, Smartstream Technologies Holding Investments Limited and Binaa Dubai LLC. The significant assumptions used by management in carrying out the impairment testing of such assets are as follows:

(a) Emirates NBD PJSC

The goodwill arising on business combinations is reviewed annually for impairment by comparing the recoverable amount, based on value-in-use calculations for CGUs to which goodwill has been allocated, with their carrying value.

The goodwill has been allocated to the following four CGUs:

- Corporate banking
- Consumer banking
- Treasury
- Emirates NBD Egypt S.A.E

Key assumptions used in the impairment test on goodwill
The recoverable amount of the CGUs has been determined based on a value-in-use calculation, using cash flow projections covering a five-year period and applying a terminal growth rate thereafter. The forecasted cash flows have been discounted using the Weighted Average Cost of Capital ("WACC") in the jurisdiction where the CGU operates. Based on the results of this analysis, no impairment is required for the year ended 31 December 2019.

The calculation of the value-in-use in the CGUs is most sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share during the projection period;
- Projected growth rates used to extrapolate cash flows beyond the projection period;
- Current local Gross Domestic Product ("GDP"); and
- Local inflation rates.

Interest margins
Interest margins are based on prevailing market rates at the start of the budget period. These are changed over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of the return on capital employed ("ROCE") required in each business. This is the benchmark used by management to assess operating performance and evaluate future investment proposals. Discount rates are calculated by using the WACC.

Projected growth rate, GDP and local inflation rates
Assumptions are based on published industry research.

The goodwill allocated to the CGUs or group of CGUs is as follows:

	Goodwill (AED million)	
CGUs	***2019***	*2018*
Corporate banking	**3,364**	3,364
Consumer banking	**1,700**	1,700
Treasury	**206**	206
Emirates NBD Egypt S.A.E	**60**	53
	5,330	5,323

12 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

(a) Emirates NBD PJSC (continued)

A one percentage point change in the discount rate or the terminal growth rate would reduce the recoverable amount of the CGUs as mentioned in the table below:

CGUs	***One percentage increase in discount rate (AED million)***	***One percentage decrease in terminal growth rate (AED million)***
Corporate Banking	**120,871**	**112,861**
Consumer Banking	**119,384**	**111,472**
Treasury	**22,988**	**21,464**
Emirates NBD Egypt S.A.E	**123**	**285**

(b) Emirates

For the purpose of testing the goodwill for impairment, the recoverable amounts of the CGUs have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a three year period. Cash flows beyond the three year period have been extrapolated using long term terminal growth rates. The key assumptions used in the value in-use calculations include a risk adjusted pre-tax discount rate of 12% (2018: 12%), gross margins consistent with historical trends and growth rates based on management's expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the CGUs operate. Any reasonably possible change to the assumptions will not lead to an impairment. The goodwill allocated to the CGUs or group of CGUs are as follows:

	Goodwill (AED million)	
CGUs	***2019***	*2018*
Catering operations	**369**	369
Consumer goods	**212**	212
Food and beverage	**28**	28
	609	609

(c) dnata

For the purpose of testing the goodwill for impairment, the recoverable amounts of the CGUs or group of CGUs have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a period of three years. Cash flows beyond such period have been extrapolated using the terminal growth rates in range of 1.5% to 3% (2018: 1.5% to 3%). The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate in range of 7% to 16% (2018: 6% to 16%), gross margins consistent with historical trends and growth rates based on management's expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the CGUs or group of CGUs operate.

12 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

(c) dnata (continued)

The goodwill allocated to CGUs or group of CGUs are as follows:

	Goodwill (AED million)	
CGUs	***2019***	*2018*
Airport operations	**806**	801
In-flight catering group	**582**	587
Online travel services	**446**	433
Travel services	**213**	230
Others	**142**	133
	2,189	2,184

The recoverable value of CGUs or group of CGUs would not fall below their carrying amount with a 1% reduction in the terminal growth rate or a 1% increase in the discount rate.

(d) Borse Dubai Limited ("Borse Dubai")

The goodwill relating to Borse Dubai has a carrying value of AED 2,883 million (2018: AED 2,883 million). Management allocates the entire goodwill to Dubai Financial Market PJSC ("DFM"), a subsidiary of Borse Dubai.

For the purpose of testing the goodwill for impairment, the recoverable amount of the CGU was assessed using both a value-in-use model and the fair value less cost to sell; the exercise concluded that the latter was higher (2018: value-in-use was higher).

To arrive at the fair value less cost to sell, the key assumptions used were volume weighted average quoted market price of DFM during the last 3 months of the year ended 31 December 2019 of AED 0.93/share, closing quoted market price as at 31 December 2019 of AED 0.97/share, and control premium (net of cost to sell) of 15%. Based on the results of this analysis, no impairment is required for the year ended 31 December 2019.

The following table shows the extent by which these key assumptions would need to change individually for the estimated recoverable amount to equal the carrying amount.

	Percentage change
Volume weighted average quoted market price during last 3 months of the year ended 31 December 2019	7.94%
Closing quoted market price as at 31 December 2019	11.65%
Control premium - net of cost to sell	88.70%

In the prior year, the recoverable amount of the CGU was determined on the basis of a value-in-use calculation using cash flow forecasts approved by management covering a five-year period. Cash flows beyond such period were extrapolated using a terminal growth rate of 2% per annum. The key assumptions used in the value-in-use calculation also included a discount rate of 10.92% per annum. Based on the results of this analysis, no impairment was required for the year ended 31 December 2018.

(e) Smartstream Technologies Holding Investments Limited ("SSTHIL")

The goodwill relating to SSTHIL (the parent of D-Clear Europe Limited) has a carrying value of AED 593 million (2018: AED 566 million). Management allocates the entire goodwill to Smartstream Technologies Group Limited, an indirect subsidiary of SSTHIL.

For the purpose of testing the goodwill for impairment, the recoverable amount of the CGU has been determined on the basis of a value-in-use calculation using cash flow forecasts approved by management covering a period up to December 2023 (2018: December 2022). Cash flows beyond such period have been extrapolated using a terminal growth rate of 2% per annum (2018: 2% per annum). The key assumptions used in the value-in-use calculation also include a pre-tax discount rate of 10.2% per annum (2018: 10.2% per annum). Based on the results of this analysis, management concluded that no impairment is required for the year ended 31 December 2019.

12 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

(e) Smartstream Technologies Holding Investments Limited ("SSTHIL") (continued)

The recoverable value of the CGU would not fall below its carrying amount with a reduction in the terminal growth rate by 1.5% or a 1% increase in the discount rate.

(f) Binaa Dubai LLC

The goodwill relating to Binaa Dubai LLC has a carrying value of AED 648 million (2018: AED 648 million). Management allocates the entire goodwill to ALEC, a subsidiary of Binaa Dubai LLC. The recoverable amount of the ALEC goodwill is determined on the basis of a fair value less costs of disposal calculation using relevant observable market multiples derived from comparable businesses. Based on the results of this analysis, management concluded that no impairment is required for the year ended 31 December 2019.

13 INVESTMENT PROPERTIES

	2019	*2018*
	AED'000	*AED'000*
Cost:		
Balance at the beginning of the year	**23,967,209**	19,889,102
Impact on adoption of IFRS 16 (see note 2.2)	**78,710**	-
Restated balance at the beginning of the year	**24,045,919**	19,889,102
Additions during the year	**4,144,600**	3,827,011
Assets acquired on business combination	**135,444**	393,514
Transfers to property, plant and equipment (see note 10)	**(96,033)**	(911)
Transfers from development properties (see note 14)	**81,920**	-
Transfers from inventories	**5,422**	-
Transferred from the Government – net (see note 24)	**-**	19,857
Disposals during the year	**(59,710)**	(165,880)
Write-off during the year	**(12,082)**	(8,286)
Translation difference	**(5,285)**	12,802
At 31 December	**28,240,195**	23,967,209
Accumulated depreciation and impairment:		
Balance at the beginning of the year	**4,187,135**	3,229,129
Impact on adoption of IFRS 16 (see note 2.2)	**10,528**	-
Restated balance at the beginning of the year	**4,197,663**	3,229,129
Depreciation and impairment charge for the year (see note 8)	**550,156**	761,627
Assets acquired on business combination	**-**	182,819
Transfers to property, plant and equipment (see note 10)	**(1,595)**	-
Related to disposals during the year	**(3,174)**	(1,332)
Related to write-off during the year	**-**	(2,593)
Translation difference	**158**	17,485
At 31 December	**4,743,208**	4,187,135
Net book value:		
At 31 December	**23,496,987**	19,780,074

Investment properties include right-of-use assets with carrying value of AED 79,057 thousand as at 31 December 2019.

The fair value of investment properties as at the year-end has been determined internally by management or through third party valuations. As a result, impairment of AED 279,858 thousand has been recorded during the year ended 31 December 2019 (2018: AED 511,378 thousand). The fair value measurement of investment properties has been categorised as a level 3 fair value based on the valuation techniques inputs used. Any significant movement in the assumptions used for these fair valuations such as discount rates, yield, rental growth and vacancy rate, is expected to result in a significantly lower or higher fair value of those assets.

Investment properties with carrying value of AED 17,942,958 thousand (2018: AED 16,527,611 thousand) has fair value of AED 26,468,568 thousand (2018: AED 25,199,423 thousand). The balance represents investment properties for which the fair values cannot be determined reliably, as key valuation inputs can often be subjective and may not be supported by third party comparable transactions.

14 DEVELOPMENT PROPERTIES

	2019 *AED'000*	*2018* *AED'000*
Cost:		
Balance at the beginning of the year	**2,578,646**	1,263,872
Additions during the year	**1,014,538**	1,421,694
Transfers from / (to) property, plant and equipment (see note 10)	**70,973**	(14,351)
Transfers to investment properties (see note 13)	**(81,920)**	-
Transfer to inventories	-	(86,855)
Transfer to cost of sales	**(4,465)**	(5,714)
At 31 December	**3,577,772**	2,578,646
Accumulated impairment:		
Balance at the beginning of the year	**42,119**	41,458
Impairment charge for the year (see note 8)	**47**	661
At 31 December	**42,166**	42,119
Net book value:		
At 31 December	**3,535,606**	2,536,527

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2019 *AED'000*	*2018* *AED'000*
Investments in associates	**32,914,908**	30,579,721
Investments in joint ventures	**20,336,002**	22,414,192
	53,250,910	52,993,913

The movement in investments in associates and joint ventures during the year is as follows:

	2019 *AED'000*	*2018* *AED'000*
Balance at the beginning of the year	**52,993,913**	47,302,127
Impact on adoption of IFRS 9	-	(334,420)
Impact on adoption of IFRS 15	-	1,702,030
Impact on adoption of IFRS 16 (see note 2.2)	**(36,561)**	-
Restated balance at the beginning of the year	**52,957,352**	48,669,737
Investments made during the year (see notes (b) and (c))	**593,269**	4,621,735
Share of results of associates and joint ventures - net	**3,825,721**	4,727,224
Dividends received	**(2,280,617)**	(2,532,299)
Arising from business combinations	**17,023**	-
Transfer to investment securities (see note (a))	**(321,999)**	-
Disposals during the year (see note (a))	**(1,118,644)**	(1,524,223)
Conversion of joint ventures to subsidiaries	**(38,774)**	-
Amounts recognised directly in equity – net		
- Other comprehensive income		
Translation difference	**(73,669)**	(481,523)
Cumulative changes in fair value	**(204,830)**	(79,242)
Actuarial gain on defined benefit plans	**1,602**	19,521
- Upon demerger completion by an associate of the Group	-	(225,599)
- Others	**(105,524)**	(201,418)
At 31 December	**53,250,910**	52,993,913

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

(a) During the current year, the Group disposed of 39.1% of its shareholding in Network International Holdings Plc (a listing vehicle created as a holding entity of Network International LLC), a jointly controlled entity, for a net consideration of AED 4,222 million in two tranches. This compared to a carrying value of AED 1,076 million and resulted in a gain on disposal of AED 3,146 million recognised as 'other income'. Upon completion of these transactions, the Group retained 11.9% in Network International Holdings Plc and no longer held significant influence, thereby discontinued equity accounting. The retained interest was classified as investment security measured at FVOCI. The fair value gain on measurement of the retained interest was AED 1,243 million; it has been recognised as 'other income' in the consolidated income statement.

Subsequent to the above transactions, a 6.2% shareholding was disposed, and consequently the Group retains 5.7% of the shares of Network International Holdings Plc as at 31 December 2019.

(b) During the prior year, the Group subscribed to the rights shares issued by one of its associates for AED 1,459,466 thousand.

(c) During the prior year, the Group converted an outstanding loan to a joint venture of AED 2,693,018 thousand into an investment in this joint venture.

(d) The following table summarises the statement of financial position of the Group's material associates and a joint venture:

31 December 2019

	Emaar Properties PJSC*	***Dubai Islamic Bank PJSC*****	***Nasdaq Inc.******	***Emirates Global Aluminium PJSC*******
	AED'000	***AED'000***	***AED'000***	***AED'000***
Total assets	116,870,404	231,528,549	51,931,425	64,912,749
Total liabilities	(53,420,981)	(197,063,563)	(30,065,175)	(34,288,293)
Net assets	**63,449,423**	**34,464,986**	**21,866,250**	**30,624,456**
Group's share of net assets	**14,892,228**	**7,239,460**	**3,943,275**	**15,312,228**

31 December 2018

	*Emaar Properties PJSC**	*Dubai Islamic Bank PJSC***	*Nasdaq Inc.****	*Emirates Global Aluminium PJSC*****
	AED'000	*AED'000*	*AED'000*	*AED'000*
Total assets	111,956,067	223,415,074	58,458,225	63,983,528
Total liabilities	(54,630,557)	(189,555,415)	(37,290,225)	(31,363,488)
Net assets	57,325,510	33,859,659	21,168,000	32,620,040
Group's share of net assets	13,344,665	6,828,747	3,814,650	16,310,020

* The carrying value of the Group's investment is equal to the Group's share of net assets of the associate. This forms part of the 'others' segmental assets disclosed in note 38.

** The carrying value of the Group's investment is equal to the Group's share of net assets of the associate. This forms part of the 'banking and other financial services' segmental assets disclosed in note 38.

*** The difference between carrying value of the Group's investment and the Group's share of net assets of this associate predominantly relates to goodwill and intangible assets included in the carrying value. The carrying value of the associate forms part of the 'banking and other financial services' segmental assets disclosed in note 38.

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

(d) The following table summarises the statement of financial position of the Group's material associates and a joint venture: (continued)

**** There is no significant difference between the carrying value of the Group's investment and the Group's share of net assets of the joint venture. The carrying value of the joint venture forms part of the 'others' segmental assets disclosed in note 38.

(e) The following table summarises the income statement and statement of comprehensive income of the Group's material associates and a joint venture:

31 December 2019

	Emaar Properties PJSC AED'000	***Dubai Islamic Bank PJSC AED'000***	***Nasdaq Inc. AED'000***	***Emirates Global Aluminium PJSC AED'000***
Revenue	24,585,931	13,684,355	9,305,100	20,498,579
Profit for the year attributable to the equity holders	**6,200,029**	**4,555,279**	**2,851,800**	**(805,500)**
Other comprehensive income for the year	348,627	(454,371)	(573,300)	(88,127)
Total comprehensive income for the year	**6,548,656**	**4,100,908**	**2,278,500**	**(893,627)**
Group's share of total comprehensive income for the year	**1,800,585**	**1,163,360**	**317,035**	**(446,814)**
Dividend paid to the Group during the year	**295,291**	**654,275**	**202,467**	**550,980**

31 December 2018

	Emaar Properties PJSC AED'000	*Dubai Islamic Bank PJSC AED'000*	*Nasdaq Inc. AED'000*	*Emirates Global Aluminium PJSC AED'000*
Revenue	25,694,324	11,729,762	9,301,425	23,371,782
Profit for the year attributable to the equity holder	6,108,039	4,438,823	1,690,500	1,170,124
Other comprehensive income for the year	(707,674)	(801,785)	(922,425)	165,573
Total comprehensive income for the year	5,400,365	3,637,038	768,075	1,335,697
Group's share of total comprehensive income for the year	1,484,857	1,060,258	138,581	667,848
Dividend paid to the Group during the year	1,102,419	658,525	186,054	-

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

(f) The following table summarises the Group's share of results in individually immaterial associates and joint ventures for the year:

	2019 ***AED'000***	*2018* *AED'000*
Profit for the year	**811,040**	958,939
Other comprehensive income for the year	**(96,382)**	(35,678)
Group's share of total comprehensive income for the year	**714,658**	923,261
Carrying amount of the Group's interest	**8,963,033**	9,841,825

(g) The carrying values and market values, as at 31 December, of the Group's interest held in various associates whose securities are quoted, are as follows:

	Carrying values		***Market values***	
	2019 ***AED'000***	*2018* *AED'000*	***2019*** ***AED'000***	***2018*** *AED'000*
Emaar Properties PJSC	**14,892,228**	13,344,665	**7,913,795**	8,130,342
Dubai Islamic Bank PJSC	**7,239,460**	6,828,747	**10,300,152**	9,346,780
Commercial Bank of Dubai PSC*	**2,035,586**	1,836,018	**2,242,187**	2,242,187
Nasdaq Inc.	**5,871,753**	5,696,448	**11,723,250**	8,820,000

* The associate's carrying value forms part of the 'banking and other financial services' segmental assets in note 38.

The Group's investments in associates and joint ventures have been tested for impairment on an individual basis whenever there are indicators of impairment. Based on these assessments, no impairment loss is required for the years ended 31 December 2019 and 31 December 2018.

16 INVESTMENT SECURITIES

	2019 ***AED'000***	*2018* *AED'000*
Measured at FVOCI		
Equities	**3,998,353**	3,004,586
Sovereign bonds	**9,742,646**	571,900
Corporate bonds	**3,450,013**	2,330,771
Others	**750,741**	760,614
	17,941,753	6,667,871
Measured at FVTPL		
Equities	**2,626,417**	2,710,759
Sovereign bonds	**2,218,276**	2,118,521
Corporate bonds	**3,972,769**	2,524,245
Others	**801,179**	810,227
	9,618,641	8,163,752
Measured at amortised cost		
Sovereign bonds	**33,364,443**	11,436,562
Corporate bonds	**4,700,413**	3,287,031
Others	**9,412**	-
	38,074,268	14,723,593
Total investment securities	**65,634,662**	29,555,216
Disclosed as follows:		
Non-current assets	**47,271,737**	24,432,482
Current assets	**18,362,925**	5,122,734
	65,634,662	29,555,216

As at year-end, investment securities and derivative financial instruments measured at fair value are categorised as follows:

31 December 2019

	Total ***AED'000***	***Level 1*** ***AED'000***	***Level 2*** ***AED'000***	***Level 3*** ***AED'000***
Measured at FVOCI	**17,941,753**	**17,135,954**	**723,244**	**82,555**
Measured at FVTPL	**9,618,641**	**7,603,358**	**120,764**	**1,894,519**
Derivative financial instruments - net (see note 29)	**1,796,183**	**(293,096)**	**2,094,012**	**(4,733)**
	29,356,577	**24,446,216**	**2,938,020**	**1,972,341**

31 December 2018

	Total *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
Measured at FVOCI	6,667,871	5,826,588	658,091	183,192
Measured at FVTPL	8,163,752	6,044,063	81,064	2,038,625
Derivative financial instruments - net (see note 29)	429,603	387,393	(68,224)	110,434
	15,261,226	12,258,044	670,931	2,332,251

16 INVESTMENT SECURITIES (continued)

During the current or prior year, there have been no transfers between Level 1 and Level 2 of the fair value hierarchy.

The following table shows a reconciliation of the opening and closing amounts of investments classified within Level 3 of the fair value hierarchy:

	2019 ***AED'000***	*2018* *AED'000*
Balance at the beginning of the year	**2,332,251**	2,778,868
Impact on adoption of IFRS 9	**-**	(32,195)
Restated balance at the beginning of the year	**2,332,251**	2,746,673
Investments made during the year	**395,719**	780,365
Settlements / disposals of investment during the year	**(576,227)**	(924,162)
Net fair value movement during the year	**(179,402)**	(334,030)
Net transfers into Level 3 (from level 1 and 2)	**-**	63,405
At 31 December	**1,972,341**	2,332,251

The table below shows the classification of investment securities (excluding equity instruments) as per their external ratings:

31 December 2019

	Measured at FVTPL AED'000	***Measured at FVOCI AED'000***	***Measured at amortised cost AED'000***	***Total AED'000***
Ratings				
AAA	**127,154**	**-**	**7,560,300**	**7,687,454**
AA- to AA+	**1,659,174**	**1,741,937**	**11,289,376**	**14,690,487**
A- to A+	**1,438,240**	**1,904,151**	**7,258,288**	**10,600,679**
Lower than A-	**2,337,244**	**8,915,188**	**8,932,342**	**20,184,774**
Unrated	**1,430,412**	**1,382,124**	**3,033,962**	**5,846,498**
Total	**6,992,224**	**13,943,400**	**38,074,268**	**59,009,892**

31 December 2018

	Measured at FVTPL AED'000	*Measured at FVOCI AED'000*	*Measured at amortised cost AED'000*	*Total AED'000*
Ratings				
AAA	289,664	-	668,851	958,515
AA- to AA+	1,059,112	54,530	5,826,992	6,940,634
A- to A+	1,160,543	999,634	3,209,957	5,370,134
Lower than A-	1,428,614	947,085	4,340,656	6,716,355
Unrated	1,515,060	1,662,036	677,137	3,854,233
Total	5,452,993	3,663,285	14,723,593	23,839,871

The allowance for impairment on investment securities as at 31 December 2019 amounts to AED 34,177 thousand (2018: AED 39,118 thousand).

17 OTHER NON-CURRENT ASSETS

	2019 **AED'000**	2018 AED'000
Loans to / receivables from Government, MOF and other related parties (see notes 17.1 and 36(b))	**4,160,844**	7,095,635
Loans to / receivables from associates and joint ventures (see note 36(b))	**273,716**	68,423
Advance lease rentals (see note 17.2)	**-**	4,813,115
Lease acquisition cost and finance lease receivables	**1,472,359**	1,651,975
Long term retentions	**304,162**	310,074
Other receivables	**1,402,432**	2,202,255
	7,613,513	16,141,477
Less: Allowance for impairment (see note 17.3)	**(73,501)**	(58,220)
	7,540,012	16,083,257

17.1 A Group subsidiary was required historically to provide retail gasoline at a fixed price in the UAE. During the year 2015, the UAE Ministry of Energy announced a new pricing policy linked to global oil prices. Since 1 August 2015, the prices of retail gasoline and diesel are set based on the average of international fuel price trackers and an addition of a margin for distribution companies.

Included in the amounts receivable from the Government, MOF and other related parties is an amount of AED 4,130,553 thousand (2018: AED 5,968,053 thousand) due from the Government representing a receivable in respect of such cost overruns.

The outstanding receivable is subject to interest at the rate of EIBOR plus margin.

17.2 Movement in advance lease rentals:

	2019 **AED'000**	2018 AED'000
Balance at the beginning of the year	**5,415,607**	5,840,722
Impact on adoption of IFRS 16 – non-current portion (see note 2.2)	**(4,813,115)**	-
Impact on adoption of IFRS 16 – current portion	**(602,492)**	-
Additions during the year	**-**	175,444
Charge for the year (see note 8)	**-**	(600,348)
Translation differences - net	**-**	(211)
At 31 December	**-**	5,415,607

Advance lease rentals are reflected in the consolidated statement of financial position as follows:

	2019 **AED'000**	2018 AED'000
Within one year – current portion (see note 19)	-	602,492
After one year – non-current portion	-	4,813,115
	-	5,415,607

Advance lease rentals were non - refundable in the event that such a lease was terminated prior to its expiry.

17 OTHER NON-CURRENT ASSETS (continued)

17.3 Movements in allowance for impairment during the year are as follows:

	2019 *AED'000*	*2018* *AED'000*
Balance at the beginning of the year	**58,220**	54,875
Allowance for impairment made during the year – net of recoveries (see note 4)	**15,127**	10,020
Amounts written-off during the year	**(5,571)**	(5,417)
Translation differences - net	**5,725**	(1,258)
At 31 December	**73,501**	58,220

Majority of other non-current assets as at the reporting date is neither past due nor impaired.

18 INVENTORIES

	2019 *AED'000*	*2018* *AED'000*
Finished goods / inventory properties	**6,085,130**	5,832,972
Raw materials	**1,068,967**	2,660,709
Spare parts and consumables	**1,883,848**	1,806,645
Engineering	**549,232**	531,729
Goods in-transit	**2,044,475**	766,868
Consumer goods	**732,365**	668,296
Others	**245,237**	388,408
	12,609,254	12,655,627
Less: Provision for slow moving and obsolete inventories	**(176,848)**	(1,326,256)
	12,432,406	11,329,371

19 TRADE AND OTHER RECEIVABLES

	2019 *AED'000*	*2018* *AED'000*
Trade receivables	**18,927,549**	15,808,102
Prepayments and other receivables	**10,397,693**	10,398,759
Amounts receivable from Government, MOF and other related parties (see note 36(b))	**1,695,809**	1,751,280
Accrued interest receivable	**5,236,307**	2,817,256
Contract receivables	**1,311,936**	1,511,584
Amounts receivable from associates and joint ventures (see note 36(b))	**1,189,318**	1,214,437
Loan receivables (non-banking operations)	**229,044**	160,888
Retention receivables - current portion	**378,517**	431,618
Advance to suppliers	**793,389**	973,427
Advance lease rentals (see note 17.2)	-	602,492
Operating lease deposits	**82,151**	462,946
Lease acquisition costs	**209,093**	136,063
Finance lease receivables	**137,022**	121,474
	40,587,828	36,390,326
Less: Allowance for impairment (see note 19.2)	**(1,568,149)**	(1,542,246)
	39,019,679	34,848,080

19 TRADE AND OTHER RECEIVABLES (continued)

19.1 The credit quality of trade receivables, due from related parties, loan receivables (non-banking operations), retention receivables, contract receivables and finance lease receivables as at the reporting date is as follows:

	2019 ***AED'000***	*2018* *AED'000*
Neither past due nor impaired	**17,677,592**	16,337,213
Past due but not impaired:		
Past due 1 – 90 days	**3,004,252**	2,440,735
Past due 91 – 365 days	**1,607,800**	764,394
Past due and impaired	**1,579,551**	1,457,041
Less: Allowance for impairment	**(1,568,149)**	(1,542,246)
	22,301,046	19,457,137

The Group does not have significant credit risk concentration on its trade and other receivables, since they arise from diversified businesses that have a large customer base.

19.2 Movements in allowance for impairment of trade receivables, due from related parties, loan receivables (non-banking operations), retention receivables, contract receivables and finance lease receivables during the year are as follows:

	2019 ***AED'000***	*2018* *AED'000*
Balance at the beginning of the year	**1,542,246**	1,371,663
Impact on adoption of IFRS 9	**-**	142,191
Restated balance at the beginning of the year	**1,542,246**	1,513,854
Allowance for impairment made during the year - net of recoveries (see note 4)	**204,230**	240,072
Amounts written-off during the year	**(143,106)**	(225,458)
Arising on business combinations	**-**	2,092
On disposal of a subsidiary	**-**	(3,822)
Translation differences	**(35,221)**	15,508
At 31 December	**1,568,149**	1,542,246

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	2019 ***AED'000***	*2018* *AED'000*
Murabaha	**35,997,807**	33,827,008
Ijara	**19,513,458**	18,888,088
Wakala	**19,080,389**	20,091,454
Mudaraba	**575,968**	763,933
Istisna'a	**1,318,526**	1,972,869
Credit cards receivable	**1,491,354**	1,331,436
Others	**1,431,710**	2,122,941
Gross Islamic financing and investment products	**79,409,212**	78,997,729
Less: Deferred income	**(2,212,559)**	(2,074,625)
Less: Allowance for impairment (see note 20.2)	**(5,788,475)**	(5,897,054)
Net Islamic financing and investment products	**71,408,178**	71,026,050

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

Islamic financing and investment products include AED 955,782 thousand (2018: AED 994,333 thousand) due from Government, MOF and other related parties and AED 15,718,651 thousand (2018: AED 17,384,919 thousand) due from associates and joint ventures (see note 36(b)).

Corporate Ijara assets of AED 2.3 billion (2018: AED 2.3 billion) and Murabaha assets of AED 1.4 billion (2018: AED 1.4 billion) in the Bank and were securitised for the purpose of the issuance of Sukuk liability (see note 28(d)).

	2019 ***AED'000***	*2018* *AED'000*
Analysis by economic activity:		
Services	**1,882,844**	1,733,913
Personal loans	**28,399,349**	26,216,463
Construction and real estate	**9,568,428**	10,096,117
Trade	**8,304,869**	7,971,047
Financial institutions and investment companies	**22,751,713**	25,194,004
Transport and communication	**268,239**	390,755
Manufacturing	**2,342,297**	2,371,589
Management of companies and enterprises	**1,673,373**	1,176,078
Others	**4,218,100**	3,847,763
Gross Islamic financing and investment products	**79,409,212**	78,997,729
Less: Deferred income	**(2,212,559)**	(2,074,625)
Less: Allowance for impairment (see note 20.2)	**(5,788,475)**	(5,897,054)
Net Islamic financing and investment products	**71,408,178**	71,026,050
Disclosed as follows:		
Non-current assets	**28,531,651**	24,016,824
Current assets	**42,876,527**	47,009,226
Net Islamic financing and investment products	**71,408,178**	71,026,050

20.1 The following table sets out information about the credit quality of Islamic financing and investment products:

31 December 2019

	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit -impaired AED'000***	***Total AED'000***
Gross carrying value:				
Performing	67,675,641	4,265,109	-	71,940,750
Non-performing	-	-	5,255,903	5,255,903
Gross carrying value	**67,675,641**	**4,265,109**	**5,255,903**	**77,196,653**
Less: Allowance for impairment (see note 20.2)	(974,507)	(409,830)	(4,404,138)	(5,788,475)
Net carrying value	**66,701,134**	**3,855,279**	**851,765**	**71,408,178**

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

20.1 The following table sets out information about the credit quality of Islamic financing and investment products: (continued)

31 December 2018

	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit -impaired AED'000*	*Total AED'000*
Gross carrying value:				
Performing	67,990,334	3,526,137	-	71,516,471
Non-performing	-	-	5,406,633	5,406,633
Gross carrying value	67,990,334	3,526,137	5,406,633	76,923,104
Less: Allowance for impairment (see note 20.2)	(1,192,430)	(752,725)	(3,951,899)	(5,897,054)
Net carrying value	66,797,904	2,773,412	1,454,734	71,026,050

20.2 The following table sets out the movement in the allowance for impairment during the year:

2019

	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit -impaired AED'000***	***Total AED'000***
Balance at the beginning of the year	1,192,430	752,725	3,951,899	**5,897,054**
Allowance for impairment made during the year - net of recoveries (see note 4)	(172,168)	(342,193)	1,332,836	**818,475**
Amounts written off during the year	-	-	(860,087)	**(860,087)**
Exchange and other adjustments (see note 20.3)	(45,755)	(702)	(20,510)	**(66,967)**
At 31 December 2019	**974,507**	**409,830**	**4,404,138**	**5,788,475**

2018

	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit -impaired AED'000*	*Total AED'000*
Balance at the beginning of the year	653,664	-	4,287,656	4,941,320
Impact on adoption of IFRS 9	740,478	912,169	13,456	1,666,103
Restated balance at the beginning of the year	1,394,142	912,169	4,301,112	6,607,423
Allowance for impairment made during the year - net of recoveries (see note 4)	(201,699)	(159,444)	925,982	564,839
Amounts written off during the year	-	-	(1,275,439)	(1,275,439)
Exchange and other adjustments	(13)	-	244	231
At 31 December 2018	1,192,430	752,725	3,951,899	5,897,054

20.3 This includes provision against unfunded exposures transferred to 'trade and other payables' amounting to AED 46 million.

21 LOANS AND RECEIVABLES

Loans and receivables represent the receivables arising from the banking operations of the Group carried out through the Bank. The details of loans and receivables are as follows:

	2019 *AED'000*	*2018* *AED'000*
Overdrafts	**150,166,905**	137,047,799
Time loans	**229,499,795**	140,296,525
Loans against trust receipts	**8,054,202**	9,262,543
Bills discounted	**4,475,928**	2,326,177
Credit card receivables	**12,711,497**	6,397,236
Gross loans and receivables	**404,908,327**	295,330,280
Less: Allowance for impairment (see note 21.2)	**(23,790,153)**	(21,117,025)
Net loans and receivables	**381,118,174**	274,213,255
Disclosed as follows:		
Non-current assets	**136,977,692**	91,576,692
Current assets	**244,140,482**	182,636,563
Net loans and receivables	**381,118,174**	274,213,255

Loans and receivables include AED 161,651,754 thousand (2018: AED 152,340,728 thousand) due from Government, MOF and other related parties and AED 64 thousand (2018: AED 327,119 thousand) due from associates and joint ventures (see note 36(b)).

As at 31 December 2019, corporate loans and receivables of AED 918 million (2018: AED 1,044 million) have been securitised for the purpose of the issuance of a borrowing under a loan securitisation agreement. The associated liability has been included under 'debt issued and other borrowed funds' (see note 28(a)).

	2019 *AED'000*	*2018* *AED'000*
Analysis by segment:		
Corporate banking	**303,525,962**	237,656,475
Consumer banking	**77,592,212**	36,556,780
Net loans and receivables	**381,118,174**	274,213,255
Analysis by economic activity:		
Services	**15,865,073**	2,135,122
Personal	**56,933,847**	39,543,759
Sovereign	**162,760,253**	150,269,100
Construction and real estate	**59,067,966**	43,864,351
Manufacturing	**17,761,078**	6,234,352
Trade	**23,224,225**	16,899,166
Transport and communication	**6,147,502**	1,376,943
Hotels and restaurants	**15,911,904**	3,762,311
Management of companies and enterprises	**13,930,191**	12,805,993
Financial institutions and investment companies	**15,534,634**	12,570,721
Agriculture	**8,127,732**	143,891
Others	**9,643,922**	5,724,571
Gross loans and receivables	**404,908,327**	295,330,280
Less: Allowance for impairment (see note 21.2)	**(23,790,153)**	(21,117,025)
Net loans and receivables	**381,118,174**	274,213,255

21 LOANS AND RECEIVABLES (continued)

21.1 The following table sets out information about the credit quality of loans and receivables:

31 December 2019

	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit - impaired AED'000***	***Purchased / originated credit-impaired AED'000***	***Total AED'000***
Gross carrying value:					
Performing	363,421,901	20,330,518	-	-	383,752,419
Non-performing	-	-	18,108,095	3,047,813	21,155,908
Gross carrying value	**363,421,901**	**20,330,518**	**18,108,095**	**3,047,813**	**404,908,327**
Less: Allowance for impairment (see note 21.2)	(3,701,749)	(3,221,584)	(16,717,467)	(149,353)	(23,790,153)
Net carrying value	**359,720,152**	**17,108,934**	**1,390,628**	**2,898,460**	**381,118,174**

31 December 2018

	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit - impaired AED'000*	*Purchased / originated credit-impaired AED'000*	*Total AED'000*
Gross carrying value:					
Performing	269,998,364	9,409,715	-	-	279,408,079
Non-performing	-	-	15,922,201	-	15,922,201
Gross carrying value	269,998,364	9,409,715	15,922,201	-	295,330,280
Less: Allowance for impairment (see note 21.2)	(3,928,737)	(1,639,483)	(15,548,805)	-	(21,117,025)
Net carrying value	266,069,627	7,770,232	373,396	-	274,213,255

21.2 The following table sets out the movement in the allowance for impairment during the year:

2019

	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit - impaired AED'000***	***Purchased / originated credit-impaired AED'000***	***Total AED'000***
Balance at the beginning of the year	3,928,737	1,639,483	15,548,805	-	**21,117,025**
Allowance for impairment made during the year - net of recoveries (see note 4)	66,397	1,797,281	2,319,442	149,353	**4,332,473**
Amounts written off during the year	-	-	(1,145,807)	-	**(1,145,807)**
Exchange and other adjustments (see note 21.3)	(293,385)	(215,180)	(4,973)	-	**(513,538)**
At 31 December 2019	**3,701,749**	**3,221,584**	**16,717,467**	**149,353**	**23,790,153**

21 LOANS AND RECEIVABLES (continued)

21.2 The following table sets out the movement in the allowance for impairment during the year: (continued)

2018

	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit - impaired AED'000*	*Purchased / originated credit-impaired AED'000*	*Total AED'000*
Balance at the beginning of the year	7,027,384	-	13,620,650	-	20,648,034
Impact on adoption of IFRS 9	(3,427,381)	1,652,871	2,522,864	-	748,354
Restated balance at the beginning of the year	3,600,003	1,652,871	16,143,514	-	21,396,388
Allowance for impairment made during the year - net of recoveries (see note 4)	328,734	(13,388)	1,280,402	-	1,595,748
Amounts written off during the year	-	-	(1,873,405)	-	(1,873,405)
Exchange and other adjustments	-	-	(1,706)	-	(1,706)
At 31 December 2018	3,928,737	1,639,483	15,548,805	-	21,117,025

The contractual amount outstanding on loans and receivables which were written off during the year, and are still subject to enforcement activity amounted to AED 1,146 million (2018: AED 3,149 million).

21.3 This includes provision against unfunded exposures transferred to trade and other payables amounting to AED 376 million.

22 CASH AND DEPOSITS WITH BANKS

	2019 *AED'000*	*2018* *AED'000*
Banking operations		
Cash and deposits with Central Banks (as defined below)		
Cash	**4,461,421**	3,307,930
Interest bearing placements with Central Banks	**5,758,814**	267,718
Murabahas and interest bearing certificates of deposits with Central Banks	**55,384,688**	48,901,963
Statutory and other deposits with Central Banks	**43,754,859**	32,135,965
Less: Allowance for impairment	**(2,835)**	(9,260)
Total (A)	**109,356,947**	84,604,316
Due from other banks		
Overnight, call and short notice	**6,330,724**	5,036,878
Time loans	**33,921,023**	35,010,651
Less: Allowance for impairment	**(84,206)**	(140,276)
Total (B)	**40,167,541**	39,907,253
Total (C = A+B)	**149,524,488**	124,511,569
Non-banking operations		
Cash at banks and in hand	**6,659,314**	7,327,141
Short-term deposits	**17,643,467**	13,894,302
Placements with banks and other financial institutions	**1,791,059**	1,314,797
Less: Allowance for impairment	**(207)**	(161)
Total (D)	**26,093,633**	22,536,079
Total (C+D)	**175,618,121**	147,047,648
Disclosed as follows:		
Non-current assets	**5,271,928**	2,746,014
Current assets	**170,346,193**	144,301,634
	175,618,121	147,047,648

For the purpose of the consolidated cash flow statement, cash and cash equivalents have been computed as explained below:

	2019 *AED'000*	*2018* *AED'000*
Cash and deposits with banks - current	**170,346,193**	144,301,634
Islamic financing and investment products with original maturity of less than three months (non-banking operations)	**3,283,493**	5,950,411
Due to banks (see note 28)	**(41,715,299)**	(22,339,668)
Bank overdrafts (see note 28)	**(145,100)**	(117,302)
	131,769,287	127,795,075
Due to banks with original maturity of more than three months	**26,103,569**	5,879,038
Deposits with Central Banks for regulatory purposes	**(43,754,859)**	(32,135,965)
Murabaha and interest bearing certificates of deposits with Central Banks with original maturity of more than three months	**(33,600,000)**	(27,300,000)
Due from other banks and deposits with other banks with original maturity of more than three months	**(31,372,737)**	(33,032,010)
Cash and cash equivalents	**49,145,260**	41,206,138

22 CASH AND DEPOSITS WITH BANKS (continued)

Cash and deposits with banks include reserve requirements maintained by the Bank with the Central Bank of the UAE (the "Central Bank") and the various Central banks of countries in which the Bank operates (collectively the "Central Banks"). The reserves placed with the Central Banks are not available for use in the Bank's day-to-day operations and cannot be withdrawn without the approval of the Central Banks. The level of reserves required changes periodically in accordance with the directives of the Central Banks.

Cash and deposits with banks includes AED 4,429,630 thousand (2018: AED 3,227,134 thousand) due from associates, joint ventures, and other related parties (see note 36(b)).

23 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Aircraft held for sale
As at 31 December 2019, a Group subsidiary had entered into agreements for the sale of 10 aircraft which met the criteria of IFRS 5 to be classified as held for sale (2018: agreement for the sale of 16 aircraft and 1 forward order).

24 CAPITAL

Capital represents the permanent capital provided by the Government and subsequent contributions in cash or in kind by the Government, less returns made by ICD in cash or in kind. The movement in the capital of ICD during the year is as follows:

	2019 ***AED'000***	*2018* *AED'000*
Balance at the beginning of the year	**64,569,417**	64,530,179
Capital contributions from the Government	**3,615,763**	19,381
Freehold land contributed by the Government (see note 24.1)	**-**	1,200,100
Return of capital to the Government (see note 24.2)	**-**	(1,180,243)
At 31 December	**68,185,180**	64,569,417

24.1 During the prior year, a capital contribution in the form of plots of land (classified as investment properties) was made by the Government to the Group. The plots of land were transferred at their fair value established using valuations from an independent qualified appraiser.

24.2 During the prior year, the Group transferred to the Government a plot of land. This was accounted for as a return of capital.

25 DISTRIBUTIONS TO THE GOVERNMENT

During the year ended 31 December 2019, distributions of AED 4,988,526 thousand (2018: AED 6,171,122 thousand) were made to the Government.

26 OTHER RESERVES

31 December 2019

	Legal and statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cumulative changes in fair value AED'000*	*Hedge reserve AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2019	2,920,537	1,004,388	9,177,030	(1,797,797)	(914,722)	980,647	9,529	(2,657,447)	(267,678)	8,454,487
Other comprehensive income for the year	-	-	-	179,289	278,395	-	-	(317,009)	-	140,675
Transfers from / (to) retained earnings – net	212,716	(32,089)	-	-	-	212,772	2,687	-	71,488	467,574
Change in Group's ownership in existing subsidiaries	-	-	-	-	(1,683)	-	-	(1,154)	195	(2,642)
Transfers upon disposal of equity instruments measured at FVOCI	-	-	-	(122,373)	-	-	-	-	-	(122,373)
Other movements	4,146	(45,211)	-	659,841	(2)	-	-	(766,601)	306,109	158,282
Total at 31 December 2019	**3,137,399**	**927,088**	**9,177,030**	**(1,081,040)**	**(638,012)**	**1,193,419**	**12,216**	**(3,742,211)**	**110,114**	**9,096,003**

31 December 2018

	Legal and statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cumulative changes in fair value AED'000*	*Hedge reserve AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2018	2,983,799	1,016,791	9,179,312	2,741,434	(951,207)	812,703	5,228	(1,715,096)	(337,336)	13,735,628
Impact on adoption of IFRS 9	(108,328)	-	-	(3,652,836)	(39,396)	-	-	-	-	(3,800,560)
Impact on adoption of IFRS 15	-	-	-	-	-	-	-	(222,186)	-	(222,186)
Restated balance at 1 January 2018	2,875,471	1,016,791	9,179,312	(911,402)	(990,603)	812,703	5,228	(1,937,282)	(337,336)	9,712,882
Other comprehensive income for the year	-	-	-	(1,007,798)	75,928	-	-	(714,938)	-	(1,646,808)
Transfers from retained earnings – net	45,059	31,153	-	-	-	167,944	4,301	-	-	248,457
Change in Group's ownership in existing subsidiaries	3	-	-	-	(48)	-	-	(5,240)	(242)	(5,527)
Transfers upon disposal of equity instruments measured at FVOCI	-	-	-	132,614	-	-	-	-	-	132,614
Other movements	4	(43,556)	(2,282)	(11,211)	1	-	-	13	69,900	12,869
Total at 31 December 2018	2,920,537	1,004,388	9,177,030	(1,797,797)	(914,722)	980,647	9,529	(2,657,447)	(267,678)	8,454,487

26 OTHER RESERVES (continued)

Legal and statutory reserve
This mainly includes transfer of 10% of annual profit for the year to a non-distributable legal reserve of various entities in the Group in accordance with the Articles of Association and the UAE Federal Law No. (2) of 2015, as applicable, and such transfers may be discontinued when the reserve equals 50% of the paid up capital of the respective entities incorporated under the UAE Federal Law No. (2) of 2015. The transfer of legal and statutory reserve made in the consolidated statement of changes in equity represents the transfers made by the entities net of reclassification/disposals.

Capital reserve
This represents the Group's share of reserves capitalised by certain subsidiaries of the Group. This reserve is non-distributable.

Merger reserve
The merger reserve includes amounts relating to:

- Borse Dubai Limited
- Emirates NBD PJSC
- Aswaaq LLC
- National Bonds Corporation PJSC

Borse Dubai Limited
In 2007, the Government transferred the ownership of DFM (80% shareholding) and Nasdaq Dubai Limited ("Nasdaq Dubai") (100% shareholding) to Borse Dubai, without any consideration. This transaction was a common control transaction and accounted for under the pooling of interests method. Since no consideration was paid by Borse Dubai for the acquisition of DFM and Nasdaq Dubai, the entire amount of issued and paid up share capital of the two entities amounting to AED 5,984,759 thousand was recognised as merger reserve in these consolidated financial statements.

Emirates NBD PJSC
In 2007, the merger of Emirates Bank International PJSC and National Bank of Dubai PJSC into Emirates NBD PJSC resulted in the recognition of a merger reserve of AED 3,460,860 thousand.

Aswaaq LLC
In accordance with the Emiri Decree No. 35 of 2011 passed by the Government, a 99% ownership interest in Aswaaq LLC ("Aswaaq"), a limited liability company registered in the Emirate of Dubai on 12 October 2009 under the UAE Commercial Companies Law of 1984 (as amended) was transferred to ICD for a consideration of AED 99,000 thousand. This transaction was a common control transaction and was accounted for under the pooling of interests method. Accordingly, the excess of consideration over the book value of net assets amounting to AED 91,827 thousand was recognised as merger reserve.

National Bonds Corporation PJSC
During prior years, the shareholders of National Bonds Corporation PJSC other than the Group, transferred their entire shareholding in National Bonds Corporation PJSC to the Group. This transaction was a common control transaction and was accounted for under the pooling of interests method. Accordingly, the excess of consideration over the book value of net assets amounting to AED 595,639 thousand was recognised as merger reserve.

Cumulative changes in fair value
Cumulative changes in fair value comprises the cumulative net changes in the fair value of investment securities measured at FVOCI until the investments are derecognised.

Translation reserve
The translation reserve comprises of foreign currency exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investments in foreign operations.

27 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the employees' end of service benefits recognised in the consolidated statement of financial position are as follows:

	2019	*2018*
	AED'000	*AED'000*
Balance at beginning of the year	**3,915,732**	3,626,749
Provision made during the year	**1,367,798**	1,406,782
End of service benefits paid	**(1,146,749)**	(1,112,552)
Actuarial loss / (gain) on defined benefit plans	**251,991**	(52,593)
Arising on business combinations	**118,260**	49,379
On disposal of a subsidiary	**-**	(5,075)
Other movements - net	**(29,008)**	3,042
At 31 December	**4,478,024**	3,915,732
Disclosed as follows:		
Non-current liabilities	**4,465,484**	3,901,593
Current liabilities	**12,540**	14,139
	4,478,024	3,915,732

Employees' Pension Scheme
Eligible UAE National employees of the Group are entitled to join the pension scheme operated for UAE National employees by the UAE General Pension and Social Security Authority (the "Pension Authority"). Contributions for the period for eligible UAE National employees made to the Pension Authority, in accordance with the provisions of UAE Federal Law on Pension and Social Security, were charged to the consolidated income statement.

Defined benefit obligations
In accordance with the provisions of IAS 19, an exercise to assess the present value of its defined benefit obligations at 31 December is carried out, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 1.9% - 4.9% (2018: 2.0% - 8%) per annum and a discount rate of 1.1% - 4.0% (2018: 1.80% - 4.50%) per annum. The present values of the defined benefit obligations at 31 December were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2019	*2018*
	AED'000	*AED'000*
Present value of funded defined benefit obligations	**4,360,661**	3,740,681
Less: Fair value of plan assets (see note (i) below)	**(3,964,544)**	(3,369,271)
	396,117	371,410
Present value of unfunded defined benefit obligations	**4,081,907**	3,544,322
Employees' end of service benefits provision	**4,478,024**	3,915,732

(i) Funded schemes
Senior employees in certain subsidiaries based mainly in the UAE, participate in a defined benefit provident scheme (the "Fund") to which these subsidiaries contribute a specified percentage of basic salary based upon the employee's grade and duration of service. Amounts contributed are invested in a trustee administered scheme and accumulate along with returns earned on investments. Contributions are made on a regular basis irrespective of the Fund's performance and are not pooled, but are separately identifiable and attributable to each participant. The Fund comprises of a diverse mix of managed funds, and investment decisions are controlled directly by the participating employees.

27 EMPLOYEES' END OF SERVICE BENEFITS (continued)

(i) Funded schemes (continued)

Benefits receivable under the provident scheme are subject to vesting rules that are dependent upon the participating employee's length of service. If at the time when an employee leaves employment, the accumulated vested amount including investment returns is less than the end of service benefits that would have been payable to that employee under relevant local regulations, the Group pays the shortfall amount directly to the employee. However, if the accumulated vested amount exceeds the end of service benefits that would have been payable to an employee under relevant local regulations, the employee receives a defined percentage of their fund balance. Vested assets of the scheme are not available to the Group or its creditors in any circumstances.

Movements in the fair value of the plan assets in respect of the funded schemes are as follows:

	2019 AED'000	*2018 AED'000*
At the beginning of the year	**3,369,271**	3,418,992
Contributions made	**408,023**	401,210
Benefits paid	**(300,133)**	(275,055)
Fair value gain / (loss) - net	**485,600**	(166,497)
Other movements	**1,783**	(9,379)
At 31 December	**3,964,544**	3,369,271

Actuarial gains and losses and expected returns on plan assets are not calculated given that investment decisions relating to plan assets are under the direct control of participating employees.

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans follow relevant local regulations and are mainly based on the period of cumulative service and the employees' final basic salary level.

28 BORROWINGS AND LEASE LIABILITIES

	Notes	***2019 AED'000***	*2018 AED'000*
<u>**Banking operations**</u>			
Non-current liabilities			
Debt issued and other borrowed funds	28(a)	**35,196,359**	33,739,109
Due to banks (see note 22)	28(b)	**11,693,601**	2,990,194
Sukuk payable	28(d)	**3,679,921**	3,685,160
Lease liabilities	28(f)	**743,668**	-
(A)		**51,313,549**	40,414,463
Current liabilities			
Debt issued and other borrowed funds	28(a)	**14,120,956**	6,976,121
Due to banks (see note 22)	28(b)	**30,021,698**	19,349,474
Lease liabilities	28(f)	**183,762**	-
(B)		**44,326,416**	26,325,595
Total (A+B)		**95,639,965**	66,740,058

28 BORROWINGS AND LEASE LIABILITIES (continued)

	Notes	*2019* *AED'000*	*2018* *AED'000*
Non-banking operations			
Non-current liabilities			
Bank borrowings	28(c)	**77,114,595**	40,631,934
Bonds (including Sukuk)	28(d)	**18,714,954**	23,565,915
Finance lease liabilities	28(e)	**-**	37,881,348
Lease liabilities	28(f)	**52,674,567**	-
Loan from Government, MOF and other related parties (see note 36(b))	28(c)	**240,562**	9,432,222
Loans from associates and joint ventures (see note 36(b))	28(c)	**10,887,840**	10,443,117
(C)		**159,632,518**	121,954,536
Current liabilities			
Bank borrowings	28(c)	**13,573,261**	11,427,833
Bonds (including Sukuk)	28(d)	**11,093,373**	8,214,436
Finance lease liabilities	28(e)	**-**	5,575,770
Lease liabilities	28(f)	**9,682,403**	-
Loans from Government, MOF and other related parties (see note 36(b))	28(c)	**10,167,453**	957,774
Loans from associates and joint ventures (see note 36(b))	28(c)	**2,363,044**	464,729
Bank overdrafts (see note 22)		**145,100**	117,302
(D)		**47,024,634**	26,757,844
Total (C+D)		**206,657,152**	148,712,380
Disclosed as follows:			
Non-current liabilities (A+C)		**210,946,067**	162,368,999
Current liabilities (B+D)		**91,351,050**	53,083,439
Total borrowings and lease liabilities		**302,297,117**	215,452,438

The above interest / profit bearing loans and lease liabilities are denominated in various currencies.

(a) Debt issued and other borrowed funds

	2019 *AED'000*	*2018* *AED'000*
Medium-term note programme*	**41,075,715**	32,359,770
Term loans from banks	**7,323,475**	7,311,043
Borrowing raised from loan securitisations (see note 21)	**918,125**	1,044,417
	49,317,315	40,715,230

* Includes Tier 2 notes of the Bank amounting to AED Nil (2018: AED 146 million) raised through public and private placements.

28 BORROWINGS AND LEASE LIABILITIES (continued)

(a) Debt issued and other borrowed funds (continued)

The repayment profile of the above liabilities is as follows:

	2019 AED in millions	*2018 AED in millions*
2019	**-**	6,976
2020	**14,121**	8,719
2021	**12,128**	10,094
2022	**9,706**	7,816
2023	**1,941**	1,555
2024	**2,289**	348
Beyond 2024	**9,132**	5,207
	49,317	40,715

The interest rate paid on the above averaged 3.53% per annum for the year ended 31 December 2019 (2018: 3.53% per annum).

(b) Due to banks

	2019 AED'000	*2018 AED'000*
Demand and call deposits	**2,543,717**	2,277,365
Balances with correspondent banks	**2,250,185**	1,611,125
Repurchase agreements with banks	**501,000**	235,706
Time and other deposits	**36,420,397**	18,215,472
	41,715,299	22,339,668

The interest rates paid on the above averaged 3.13% per annum for the year ended 31 December 2019 (2018: 2.11% per annum).

(c) Borrowings from banks, Government, MOF, associates, joint ventures and other related parties

Included under this category are:

- Conventional syndicated facilities of AED 3,767,555 thousand, repayable over the period up to 2025 (2018: AED 2,554,125 thousand repayable in 2023) and carrying a margin over LIBOR.
- Ijara syndicated facilities of AED 1,741,287 thousand, repayable over the period up to 2025 (2018: AED 1,286,250 thousand repayable in 2023) and carrying a margin over LIBOR.
- Bilateral facilities of AED 1,837,100 thousand (2018: AED 3,674,500 thousand), repayable over the period up to 2022 and carrying a margin over EIBOR and LIBOR.
- Secured borrowing facilities of AED 9,674,526 thousand (2018: AED 9,846,432 thousand), repayable over the period up to 2026 and carrying a margin over EIBOR and LIBOR.
- Murabaha and credit facility of AED 4,579,181 thousand (2018: AED 3,413,075 thousand), repayable over the period up to 2033. The facilities consists of AED 373,872 thousand (2018: AED 303,463 thousand) carrying a fixed rate of interest and AED 4,205,309 thousand (2018: AED 3,109,612 thousand) carrying a margin over LIBOR.
- Term loan facilities of AED 19,871,905 thousand repayable from one to eleven years (2018: AED 23,018,533 thousand repayable from one to twelve years), with principal repayment either in instalments or as a balloon payment at the end of the term of the facility. The facilities consist of AED 7,641,825 thousand (2018: AED 10,568,529 thousand) carrying a fixed rate of interest and AED 12,230,080 thousand (2018: AED 12,450,004 thousand) carrying a margin over LIBOR, EIBOR or MIDSWAP.

28 BORROWINGS AND LEASE LIABILITIES (continued)

(c) Borrowings from banks, Government, MOF, associates, joint ventures and other related parties (continued)

- Term loan facility from the MOF of AED 9,187,500 thousand (2018: AED 9,187,500 thousand), repayable in 2020 and carrying a margin over EIBOR.
- Term loan facility of AED 2,032,732 thousand repayable over the period up to 2030 (2018: AED 1,441,571 thousand), The facility consists of AED 841,366 thousand (2018: AED 720,785 thousand) carrying a fixed rate of interest and AED 1,191,366 thousand (2018: AED 720,786 thousand) carrying a margin over LIBOR.
- Term loan facility of AED 50,523,953 thousand, repayable over the period up to 2031 (2018: AED 9,989,508 thousand repayable over the period up to 2029). The facility consists of AED 13,683,332 thousand (2018: AED 2,264,689 thousand) carrying a fixed rate of interest and AED 36,840,621 thousand (2018: 7,724,819 thousand) carrying a margin over EIBOR and LIBOR (see note 28(e)).
- Wakala deposit of AED 955,782 thousand (2018: AED 955,782 thousand) from Department of Finance of the Government, carrying a fixed rate of profit. Subsequent to the year ended 31 December 2019, the Group exercised one-year option that extends the maturity date to 31 December 2020.
- Murabaha facility of AED 3,528,000 thousand (2018: AED 3,528,000 thousand) repayable over the period up to 2021 and carrying a margin over LIBOR.
- Murabaha facility of AED 750,000 thousand (2018: AED 750,000 thousand) repayable in 2021 and carrying a margin over EIBOR.
- Term loan facility of AED 534,632 thousand (2018: AED 531,170 thousand) repayable in 2022 and carrying a margin over LIBOR.
- Syndicated loan facility of AED 720,000 thousand (2018: AED 477,000 thousand) repayable over the period up to 2026 and carrying a margin over EIBOR.
- Islamic and conventional syndicated facilities of AED 1,691,345 thousand (2018: AED 1,228,697 thousand), repayable over the period up to 2025 and carrying a margin over LIBOR and EIBOR.
- Islamic and conventional syndicated facilities, and Wakala facilities of AED 1,422,850 thousand (2018: Islamic syndicated facility of AED 62,933 thousand), repayable over the period up to 2028 and carrying a margin over LIBOR and EIBOR.
- Term loan facility of AED 468,195 thousand, repayable over the period up to 2026 (2018: AED 477,750 thousand which were fully repaid in 2019) and carrying a fixed rate of interest.

The effective interest rate paid on the above averaged 4.1% per annum for the current year (2018: 4.0% per annum). These loans are mainly denominated in AED and USD.

(d) Bonds (including Sukuk)

	2019 AED'000	*2018 AED'000*
These instruments are denominated in the following currencies:		
US Dollar (see note (i) below)	**26,719,373**	29,720,774
UAE Dirham (see note (ii) below)	**6,596,553**	5,771,320
Korean Won	**193,381**	-
	33,509,307	35,492,094
Less: transaction costs	**(21,059)**	(26,583)
	33,488,248	35,465,511

These bonds (including sukuk) have been issued at fixed coupon rates varying from 3.51% to 5.75% (2018: 3.51% to 5.75%).

28 BORROWINGS AND LEASE LIABILITIES (continued)

(d) Bonds (including Sukuk) (continued)

(i) US Dollar denominated bonds with outstanding face value of USD 3,515,660 thousand (2018: USD 4,166,348 thousand) and USD 3,708,443 thousand (2018: USD 3,866,721 thousand) are of Islamic (sukuk) and conventional formats respectively. These bonds are repayable either semi-annually or as a bullet payment upon their relevant maturities over the period up to 2028 (2018: period up to 2028).

(ii) UAE Dirham denominated bonds of AED 6,596,553 thousand (2018: AED 5,771,320 thousand) issued by one of the Group subsidiaries under a Shari'ah compliant open-ended investment fund are repayable on demand to bond holders.

(e) Finance lease liabilities

As at the end of the prior year, finance lease liabilities were payable as follows:

31 December 2018

	Future lease payments AED'000	*Interest component AED'000*	*Present value of minimum lease payments AED'000*
Less than one year	7,076,750	(1,500,980)	5,575,770
Between one and five years	24,840,389	(4,043,408)	20,796,981
More than five years	19,356,165	(2,271,798)	17,084,367
	51,273,304	(7,816,186)	43,457,118

The carrying value of lease liabilities approximated their fair value. The fair value was determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spreads. The fair value of lease liabilities fell into level 2 of the fair value hierarchy.

The effective interest rate on finance lease liabilities for the prior year was 3.6%.

Borrowings related to assets subject to financing arrangements which are in-substance purchases, as defined in the Group's accounting policies applicable to leases, are disclosed as 'bank borrowings'. In this respect, liabilities with a carrying value of AED 39,694,707 thousand as at 31 December 2018 have been transferred from 'finance lease liabilities' to 'bank borrowings' on 1 January 2019. The interest expense incurred on these balances during the prior year amounted to AED 1,392,071 thousand, and it has been presented as 'finance charges on finance lease liabilities' within 'other finance costs'.

(f) Lease liabilities

Lease liabilities are payable as follows:

31 December 2019

	Future lease payments AED'000	***Interest component AED'000***	***Present value of lease payments AED'000***
Less than one year	**12,919,584**	**(3,053,419)**	**9,866,165**
Between one and five years	**39,457,969**	**(7,921,540)**	**31,536,429**
More than five years	**25,973,435**	**(4,091,629)**	**21,881,806**
	78,350,988	**(15,066,588)**	**63,284,400**

28 BORROWINGS AND LEASE LIABILITIES (continued)

(g) Securities

The significant securities provided against the borrowings are as follows:

- First mortgage over applicable property, plant and equipment;
- Assignment of insurance policies and earnings from applicable property, plant and equipment;
- Negative pledge whereby the relevant subsidiaries of the Group shall not create or permit to subsist any security on any of the applicable property, plant and equipment to third parties;
- Confirmation from a Group entity that it shall not merge or amalgamate or sell its assets, except in the ordinary course of business, without prior approval of the concerned banks;
- Confirmation from a Group entity that prior consent of the lenders will be obtained before effecting any change in its ownership and/or sale of significant assets; and
- Certain applicable real estate assets of the Group have been designated to support issuance of borrowings in the form of Ijara.

29 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the positive and negative fair values of derivative financial instruments together with notional amounts analysed by term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor of the credit risk.

31 December 2019

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts*		
			Total AED'000	*<1year AED'000*	*>1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	1,429,777	(880,947)	289,960,752	258,359,662	31,601,090
Foreign exchange options	38,931	(44,107)	14,839,726	14,407,345	432,381
Interest rate swaps / caps	5,349,659	(3,815,855)	352,950,859	117,345,790	235,605,069
Commodity options	7,184	(7,152)	1,774,959	1,122,320	652,639
	6,825,551	**(4,748,061)**	**659,526,296**	**391,235,117**	**268,291,179**
Derivatives held as cash flow hedges:					
Interest rate swaps	**187,912**	**(169,280)**	**26,622,355**	**9,848,690**	**16,773,665**
Derivatives held as fair value hedges:					
Interest rate swaps	**130,036**	**(646,030)**	**16,782,081**	**358,142**	**16,423,939**
Derivatives held as hedge of a net investment in foreign operations:					
Foreign exchange forward contracts	**-**	**(1,848)**	**293,235**	**293,235**	**-**
(A)	**7,143,499**	**(5,565,219)**	**703,223,967**	**401,735,184**	**301,488,783**
Non-banking operations					
Derivatives held for trading:					
Debt equity swaps	2,503	-	2,503	2,503	-
Commodity contracts swaps and futures	1,646	(291,108)	21,610,161	21,610,161	-
Commodity options	-	(5,902)	133,770	133,770	-
	4,149	**(297,010)**	**21,746,434**	**21,746,434**	**-**
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	7,792	(26,171)	3,779,678	3,779,678	-
Interest rate swaps	36,626	(471,906)	13,871,764	2,860,925	11,010,839
Commodity forward contracts	959,969	-	8,105,920	6,069,156	2,036,764
	1,004,387	**(498,077)**	**25,757,362**	**12,709,759**	**13,047,603**
Derivatives held as fair value hedges:					
Interest rate swaps	**4,454**	**-**	**552,848**	**94,098**	**458,750**
(B)	**1,012,990**	**(795,087)**	**48,056,644**	**34,550,291**	**13,506,353**
Total (A+B)	**8,156,489**	**(6,360,306)**	**751,280,611**	**436,285,475**	**314,995,136**

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

31 December 2018

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts* Total AED'000	*<1year AED'000*	*>1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	669,009	(616,778)	242,996,639	214,784,084	28,212,555
Foreign exchange options	11,893	(12,085)	29,892,425	23,281,925	6,610,500
Interest rate swaps / caps	2,575,605	(2,224,763)	224,289,571	66,603,902	157,685,669
	3,256,507	(2,853,626)	497,178,635	304,669,911	192,508,724
Derivatives held as cash flow hedges:					
Interest rate swaps	296,268	(56,492)	12,292,209	367,250	11,924,959
Derivatives held as fair value hedges:					
Interest rate swaps	105,268	(857,630)	5,613,986	1,412,018	4,201,968
Derivatives held as hedge of a net investment in foreign operations:					
Foreign exchange forward contracts	12,849	-	271,033	271,033	-
(A)	3,670,892	(3,767,748)	515,355,863	306,720,212	208,635,651
Non-banking operations					
Derivatives held for trading:					
Debt equity swaps	2,591	-	2,591	2,591	-
Commodity contracts swaps and futures	495,357	-	15,583,591	15,583,591	-
	497,948	-	15,586,182	15,586,182	-
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	14,458	(10,631)	2,532,376	2,532,376	-
Interest rate swaps	142,432	(105,587)	14,265,648	3,377,337	10,888,311
	156,890	(116,218)	16,798,024	5,909,713	10,888,311
Derivatives held as fair value hedges:					
Interest rate swaps	-	(12,161)	646,947	94,098	552,849
(B)	654,838	(128,379)	33,031,153	21,589,993	11,441,160
Total (A+B)	4,325,730	(3,896,127)	548,387,016	328,310,205	220,076,811

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Disclosed as follows:

	2019	*2018*
	AED'000	*AED'000*
Positive fair value of derivatives:		
Non-current assets	**5,642,225**	2,298,225
Current assets	**2,514,264**	2,027,505
Total	**8,156,489**	4,325,730
Negative fair value of derivatives:		
Non-current liabilities	**(4,613,338)**	(2,016,038)
Current liabilities	**(1,746,968)**	(1,880,089)
Total	**(6,360,306)**	(3,896,127)
Net fair value of derivatives (see note 16)	**1,796,183**	429,603

Derivative related credit risk - banking operations
Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Bank and potential future fluctuations. The majority of the fair value of favourable contracts (and therefore credit risk) is exposure to financial institutions. All credit exposure is managed under approved facilities, and in many cases are collateralised under Credit Support Annex ("CSA"). The Bank takes a Credit Value Adjustment ("CVA") on outstanding derivative transactions. The methodology for CVA calculation relies on three components: the probability of default of the counterparty, the expected positive exposure and the recovery rate. CVA is computed on all asset classes including foreign exchange, interest rates and commodities.

30 OTHER NON-CURRENT PAYABLES

	2019	*2018*
	AED'000	*AED'000*
Deferred revenue	**882,744**	877,121
Provision for aircraft return conditions	**6,048,893**	2,792,994
Deferred credits (non-current portion)	**-**	2,516,385
Retention payable (non-current portion)	**337,297**	279,388
Maintenance reserve and security deposits	**4,118,389**	4,073,749
Provision for construction warranty	**123,300**	141,837
Amounts due to Government, MOF and other related parties (see note 36(b))	**22,770**	24,765
Other provisions	**522,405**	319,932
Cylinder replacement costs	**23,127**	23,193
Others	**532,616**	432,280
	12,611,541	11,481,644

31 TRADE AND OTHER PAYABLES

	2019 *AED'000*	*2018* *AED'000*
Trade payables	**31,071,792**	28,369,648
Passenger and cargo sales in advance	**11,595,597**	10,854,947
Accrued interest / profit payable	**3,816,446**	2,686,182
Advance from customers	**2,844,254**	2,082,017
Amounts due to associates and joint ventures (see note 36(b))	**1,255,555**	1,081,040
Amounts due to Government, MOF and other related parties (see note 36(b))	**428,234**	322,622
Managers' cheques	**1,228,374**	1,238,897
Abandonment and decommissioning liability	**296,080**	236,549
Deferred revenue	**3,272,972**	3,529,381
Deferred credits (current portion)	**-**	322,145
Rehabilitation liabilities	**3,749**	3,664
Excess billings from construction contracts	**310,336**	266,670
Members' margin deposit	**20,235**	23,568
Dividend payable (includes payable on behalf of companies listed on the stock exchange)	**812,432**	680,316
Retention payable (current portion)	**539,094**	446,530
Provision for aircraft return conditions	**656,598**	740,376
Maintenance reserve and security deposits	**775,807**	732,545
Other provisions	**1,377,126**	1,558,511
Other payables and accruals	**13,230,755**	8,720,105
	73,535,436	63,895,713

32 CUSTOMER DEPOSITS

	2019 *AED'000*	*2018* *AED'000*
Demand, call and short notice	**128,554,455**	112,445,993
Time	**202,184,894**	133,819,096
Savings	**36,319,483**	26,737,564
Others	**6,085,521**	6,457,006
	373,144,353	279,459,659
Disclosed as follows:		
Non-current liabilities	**21,630,971**	9,299,577
Current liabilities	**351,513,382**	270,160,082
	373,144,353	279,459,659

The interest rates paid on the above deposits averaged 1.77% per annum for the current year (2018: 1.38% per annum).

Customer deposits (including Islamic customer deposits) include AED 4,845,014 thousand (2018: AED 3,024,926 thousand) deposits from Government, MOF and other related parties and AED 38,315 thousand (2018: AED 366,043 thousand) deposits from associates and joint ventures (see note 36(b)).

33 ISLAMIC CUSTOMER DEPOSITS

	2019	*2018*
	AED'000	*AED'000*
Time	**55,245,931**	28,158,225
Demand, call and short notice	**17,202,274**	14,227,095
Savings	**11,265,223**	10,014,757
Others	**388,480**	460,842
	84,101,908	52,860,919
Disclosed as follows:		
Non-current liabilities	**7,770,038**	438,635
Current liabilities	**76,331,870**	52,422,284
	84,101,908	52,860,919

The profit rates paid on the above deposits averaged 2.29% per annum for the current year (2018: 1.31% per annum).

34 NON-CONTROLLING INTERESTS

(a) Tier 1 Capital notes

Non-controlling interests as at 31 December 2019 include three series of regulatory Tier 1 Capital notes ("Capital Notes") issued in 2009 ("2009 Notes"), 2014 ("2014 Notes") and 2019 ("2019 Notes") by the Bank for an amount of AED 4 billion, USD 500 million (AED 1.83 billion (net of issuance cost)), and USD 1 billion (AED 3.66 billion (net of issuance cost)) respectively. The 2009 Notes were issued at a fixed interest rate for the first five years and on a floating rate basis thereafter. The 2014 Notes and 2019 Notes were issued at a fixed interest rate with a reset after six years. These Capital Notes are perpetual, subordinated and unsecured. The Bank can elect not to pay a coupon at its own discretion. Noteholders will not have a right to claim the coupon and such event will not be considered an event of default. These Capital Notes carry no maturity dates and have been classified under equity as 'non-controlling interests'.

During the year, the Bank issued the aforementioned 2019 Notes and exercised its option to redeem Tier 1 capital notes issued in 2013 for an amount of USD 1 billion (AED 3.67 billion).

(b) Rights issue

During the year, the Bank completed a rights issue exercise by issuing new shares of 758,823,529 for an aggregate amount of AED 6,450 million. The shares were issued at a price of AED 8.50 per new share, compared to the nominal value of AED 1.00 per share.

The rights issue resulted in a AED 2,846,481 thousand increase in non-controlling interests; this has been disclosed under 'increase in non-controlling interests' in the statement of changes in equity.

(c) Material partly owned subsidiaries

The financial information of a subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests as at 31 December:

Name	***Country of incorporation***	***2019***	*2018*
Emirates NBD PJSC	UAE	**44.24%**	44.24%

34 NON-CONTROLLING INTERESTS (continued)

(c) Material partly owned subsidiaries (continued)

The financial information of the Bank is provided below:

	2019 *AED'000*	*2018* *AED'000*
Balances of material non-controlling interests	**41,909,750**	34,138,131
Profit allocated to material non-controlling interests	**6,787,718**	4,774,881
Dividend / interest paid to material non-controlling interests	**1,645,977**	1,576,475

The above analysis includes Tier 1 capital notes and interest thereon.

The summarised financial information for the Bank is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive income for the year ended 31 December is set out below:

	2019 *AED'000*	*2018* *AED'000*
Profit for the year	**14,503,683**	10,041,523
Total comprehensive income	**14,141,049**	9,865,456

Summarised statement of financial position as at 31 December is set out below:

	2019 *AED'000*	*2018* *AED'000*
Current assets	**456,431,501**	352,660,920
Non-current assets	**226,889,063**	147,681,826
Current liabilities	**511,244,871**	380,240,940
Non-current liabilities	**90,468,832**	56,077,443

Summarised cash flow statement information for the year ended 31 December is set out below:

	2019 *AED'000*	*2018* *AED'000*
Net cash flows from / (used in) operating activities	**29,172,245**	(12,668,582)
Net cash flows used in investing activities	**(20,432,868)**	(1,619,691)
Net cash flows from / (used in) financing activities	**3,533,005**	(2,997,966)
Net increase / (decrease) in cash and cash equivalents	**12,272,382**	(17,286,239)

35 COMMITMENTS AND CONTINGENCIES

(a) Investment commitments

The Group has the following contractual investment commitments as at 31 December:

	2019 AED'000	*2018 AED'000*
Investment securities	**138,681**	134,789
Investments in associates	**718,476**	719,206

(b) Capital commitments

Capital expenditure contracted for and still outstanding at the reporting date, is as follows:

	2019 AED'000	*2018 AED'000*
Capital commitments for the purchase of aircraft:		
Within one year	**14,401,008**	9,402,411
After one year but not more than five years	**108,804,309**	120,147,578
More than five years	**143,485,995**	177,095,431
	266,691,312	306,645,420
Contractual capital commitments in relation to other non-financial assets	**12,816,107**	17,824,724
Group's share of associates' and joint ventures' capital expenditure commitments	**6,390,272**	6,220,131
	285,897,691	330,690,275

(c) Assets held in a fiduciary capacity

The Group's financial services subsidiaries hold assets in a fiduciary capacity and provide custodian services to some of their customers. The underlying assets held in a custodial or fiduciary capacity are excluded from the Group consolidated financial statements.

(d) Contingencies

The Group has the following contingent liabilities at the reporting date:

	2019 AED'000	*2018 AED'000*
Letters of credit	**14,923,938**	13,798,684
Financial guarantees	**67,602,921**	50,663,968
Performance bonds	**6,333,800**	5,635,595
Liabilities on risk participation	**175,090**	593,804
Group's share of financial guarantees issued by associates and joint ventures	**9,653,225**	9,044,104
Group's share of letters of credit issued by associates and joint ventures	**1,044,488**	1,050,379
Third party claims*	**1,014,592**	968,272

35 COMMITMENTS AND CONTINGENCIES (continued)

(d) Contingencies (continued)

* There are various claims against the subsidiaries and equity accounted investees of the Group initiated by their respective contractors, customers and other counterparties in respect of alleged delays in work or non-fulfilment of contractual obligations. Once the relevant assessments of these claims are completed by the relevant subsidiaries and equity accounted investees of the Group, and the amount of potential loss is reasonably estimated, an appropriate adjustment is made to account for any adverse effects on their financial standing. Proper controls and policies to manage such claims are in place, as a result, at reporting date it is believed that any adverse outcome from these claims are remote. Accordingly, no liability is recognised in respect of these contingencies.

In addition, the approved rehabilitation plan of one of the Group's subsidiaries includes performance bonds and payment guarantees of AED 62,310 thousand as at 31 December 2019 (31 December 2018: AED 1,075,614 thousand) issued in the normal course of business. As at 31 December 2019, management estimates that AED 3,749 thousand (31 December 2018: AED 3,664 thousand) may crystallise and accordingly a provision was recognised for rehabilitation liabilities. This provision is subject to debt to equity swap and cash settlement.

(e) Operational commitments

One of the Group's subsidiaries has operational commitments of AED 2,804,326 thousand relating to sales and marketing as at 31 December 2019 (2018: AED 3,145,919 thousand).

(f) Undrawn loan commitments

The Group's banking operations (including the Group's share of associates) have undrawn loan commitments of AED 53,140,987 thousand outstanding at 31 December 2019 (2018: AED 30,878,457 thousand). This represents a contractual commitment to permit drawdowns on a facility within a defined period, subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to drawdown have to be fulfilled, the total contract amounts do not necessarily represent the exact future cash requirements.

(g) ECL on unfunded exposures

As at 31 December 2019, ECL on unfunded exposures of the Bank amounted to AED 439 million in Stage 1 (exposure of AED 111,550 million) and AED 48 million in Stage 2 (exposure of AED 7,841 million).

As at 31 December 2018, ECL on unfunded exposures of the Bank amounted to AED 505 million in Stage 1 (exposure of AED 67,769 million) and AED 21 million in Stage 2 (exposure of AED 5,567 million). Unfunded exposure includes guarantees, standby letters of credit and undrawn loan commitments.

(h) Customer acceptances

Under IFRS 9, customer acceptances are recognised on balance sheet with a corresponding liability. Accordingly, there is no off-balance sheet commitment for customer acceptances.

36 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the owner, associates, joint ventures, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management of individual Group subsidiaries.

The Group enters into transactions with Government-owned entities in the normal course of business. Such entities include various utility companies, port authorities, etc. In accordance with the exemption available in IAS 24, management has chosen not to disclose such transactions that are entered in the normal course of business with the said related Government entities.

36 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant transactions with related parties during the year are as follows:

	Purchase of goods and services (including cost of revenue) AED'000	*Sale of goods and services (including revenue) AED'000*	*Other finance income AED'000*	*Other finance costs AED'000*
31 December 2019				
Associates and joint ventures	**3,762,698**	**3,000,227**	**560,926**	**434,733**
Government, MOF and other related parties	**104,340**	**659,047**	**341,336**	**479,221**
31 December 2018				
Associates and joint ventures	3,946,879	2,752,306	529,613	491,334
Government, MOF and other related parties	101,656	659,162	412,788	374,194

(b) Significant amounts due from and due to related parties are as follows, further details of which are disclosed in notes 17, 19, 20, 21, 22, 28, 30, 31 and 32:

	2019		*2018*	
	Receivables AED'000	***Payables AED'000***	*Receivables AED'000*	*Payables AED'000*
Associates and joint ventures	**21,611,365**	**14,544,754**	22,220,093	12,354,929
Government, MOF and other related parties (see note 36(b)(i))	**7,710,279**	**15,704,033**	11,965,778	13,762,309
	29,321,644	**30,248,787**	34,185,871	26,117,238

(i) In addition to the above, there is an amount of AED 160,753,924 thousand (2018: AED 150,218,137 thousand) that represents loans and receivables provided by the Bank to the Government on normal commercial terms.

(ii) Impairment provisions of AED 182,355 thousand (2018: AED 180,443 thousand) and AED 82,241 thousand (2018: AED 79,058 thousand) have been made against amounts receivable from Government, MOF and other related parties, and associates and joint ventures respectively. These amounts are included in 'other non-current assets' and 'trade and other receivables' at the year-end.

(iii) Investment securities include AED 236,213 thousand (2018: AED 107,396 thousand) with Government, MOF and other related parties.

36 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation to key managerial personnel:

The remuneration of directors and other key members of management included in the consolidated income statement are as follows:

	2019 ***AED'000***	*2018* *AED'000*
Short term benefits	**647,710**	672,860
End of service benefits	**45,997**	49,249
Directors' fees	**37,963**	38,424
Management fees charged by managers	**13,274**	14,908
	744,944	775,441

(d) The investments made in and disposals of associates and joint ventures, the Group's share of results of associates and joint ventures, the dividends received from them during the current and prior year and other movements are disclosed in note 15 of these consolidated financial statements. In addition, a transaction with an associate has been disclosed in note 9(b) to the consolidated financial statements.

(e) The contributions from and distributions made to the Government have been disclosed in the statement of changes in equity, note 24 and note 25 to the consolidated financial statements.

37 FINANCIAL RISK MANAGEMENT

The tables below set out the Group's classification of each class of financial assets and financial liabilities at the date of statement of financial position:

31 December 2019

	Measured at FVTPL AED'000	*Measured at FVOCI AED'000*	*Measured at Amortised cost AED'000*	*Derivative financial instruments AED'000*	*Total carrying value AED'000*
Financial assets					
Non-derivative financial assets					
Investment securities (see note 16)	9,618,641	17,941,753	38,074,268	-	65,634,662
Islamic financing and investment products (see note 20)	-	-	71,408,178	-	71,408,178
Loans and receivables (see note 21)	-	-	381,118,174	-	381,118,174
Other non-current assets	-	-	6,367,225	-	6,367,225
Trade and other receivables	-	-	34,331,153	-	34,331,153
Customer acceptances	-	-	10,227,557	-	10,227,557
Cash and deposits with banks (see note 22)	-	-	175,618,121	-	175,618,121
Derivative financial assets					
Positive fair value of derivatives (see note 29)	-	-	-	8,156,489	8,156,489
	9,618,641	**17,941,753**	**717,144,676**	**8,156,489**	**752,861,559**
Financial liabilities					
Non-derivative financial liabilities					
Customer deposits (see note 32)	-	-	373,144,353	-	373,144,353
Islamic customer deposits (see note 33)	-	-	84,101,908	-	84,101,908
Borrowings and lease liabilities (see note 28)	-	-	302,297,117	-	302,297,117
Other non-current payables	64,811	-	11,886,108	-	11,950,919
Customer acceptances	-	-	10,227,557	-	10,227,557
Trade and other payables	-	-	55,061,385	-	55,061,385
Derivative financial liabilities					
Negative fair value of derivatives (see note 29)	-	-	-	6,360,306	6,360,306
	64,811	**-**	**836,718,428**	**6,360,306**	**843,143,545**

37 FINANCIAL RISK MANAGEMENT (continued)

31 December 2018

	Measured at FVTPL AED'000	*Measured at FVOCI AED'000*	*Measured at Amortised cost AED'000*	*Derivative financial instruments AED'000*	*Total carrying value AED'000*
Financial assets					
Non-derivative financial assets					
Investment securities (see note 16)	8,163,752	6,667,871	14,723,593	-	29,555,216
Islamic financing and investment products (see note 20)	-	-	71,026,050	-	71,026,050
Loans and receivables (see note 21)	-	-	274,213,255	-	274,213,255
Other non-current assets	-	-	9,652,830	-	9,652,830
Trade and other receivables	-	-	28,256,941	-	28,256,941
Customer acceptances	-	-	7,736,164	-	7,736,164
Cash and deposits with banks (see note 22)	-	-	147,047,648	-	147,047,648
Derivative financial assets					
Positive fair value of derivatives (see note 29)	-	-	-	4,325,730	4,325,730
	8,163,752	6,667,871	552,656,481	4,325,730	571,813,834
Financial liabilities					
Non-derivative financial liabilities					
Customer deposits (see note 32)	-	-	279,459,659	-	279,459,659
Islamic customer deposits (see note 33)	-	-	52,860,919	-	52,860,919
Borrowings and lease liabilities (see note 28)	-	-	215,452,438	-	215,452,438
Other non-current payables	-	-	8,403,460	-	8,403,460
Customer acceptances	-	-	7,736,164	-	7,736,164
Trade and other payables	-	-	46,787,594	-	46,787,594
Derivative financial liabilities					
Negative fair value of derivatives (see note 29)	-	-	-	3,896,127	3,896,127
	-	-	610,700,234	3,896,127	614,596,361

The fair value of the above mentioned financial assets and liabilities (that are not stated at fair value) is not materially different from their carrying value.

37 FINANCIAL RISK MANAGEMENT (continued)

Overview

As a result of using financial instruments, the Group is exposed to the following main risks:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included in these consolidated financial statements.

Risk Management Framework and Process

The Board of Directors of ICD and of the respective entities have responsibility for:

- The establishment and oversight of risk management frameworks including the determination and approval of risk appetite; and
- The formation of appropriate risk management committees responsible for developing and monitoring risk management policies and the identification, analysis and management of the risks in the operations of the respective businesses.

The Group's risk management framework takes into account the complexity of the Group's business operations and diversity of geographical locations. The Group's risk management framework is not intended to prescribe a specific process for risk management but rather to integrate risk management as a practice into each Group entity's processes and according to each Group entity's specific needs.

The key features of the Group's risk management framework are:

- Risk management policies designed to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits;
- Design and implementation of appropriate controls with adequate reporting in place to monitor their ongoing effectiveness to safeguard the Group's interests;
- Timely escalation to management of exceptions and deviations from authorised limits and other relevant risk guidelines and policies;
- Regular review of risk management policies and processes to reflect changes in market conditions and the Group's operations;
- Training of employees to develop a disciplined control environment in which all employees understand their roles and responsibilities; and
- Risk taking within approved authorities and compliance with applicable regulatory requirements.

The risk management functions of Group entities assist their senior management in controlling and actively managing the Group's overall risk. These functions also ensure that:

- Policies, procedures and methodologies are consistent with risk appetite;
- The overall business strategy is consistent with its risk appetite; and
- Appropriate risk management processes are developed and implemented.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to investment securities (primarily bonds), Islamic financing and investment products, loans and receivables, trade and other receivables (including amounts due from related parties), derivative financial instruments, cash at bank, reverse repurchase agreements, customer acceptances, letters of credit, financial guarantees and undrawn loan commitments. The Group's exposure to such credit risk is monitored on an ongoing basis by the management of the respective subsidiaries. The Group's cash is placed with banks of repute.

Credit risk management and structure
The approach to credit risk management is based on the foundation to preserve independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structures in the respective business segments. Standard procedures specific to businesses are set up to manage various risks across different business segments, products and portfolios.

Credit risk management and structure specific to the Bank
The credit policy for the banking operations focuses on the core credit policies and includes lending parameters, target businesses, specific policy guidelines, management of high risk customers, provisioning guidelines, policies governing overseas locations etc. The relevant Credit Management and Investment Committee retains the ultimate authority to approve larger credits. Independent functions within the Bank manage credit risks on the corporate and retail portfolios.

Wholesale banking credit risk management
Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers amongst other things the purpose of the facility, sources of re-payment, prevailing and potential macroeconomic factors, industry trends, customers' credit worthiness and standing within the industry.

The credit facility administration process is undertaken by an independent function to ensure proper execution of all credit approvals, maintenance of documentation and proactive controls over maturities, expiry of limits and collaterals.

Operations are managed by independent units responsible for processing transactions in line with credit approvals and standard operating guidelines.

Management of Early Alert ("EA"), Watch List ("WL") & Impaired Non Performing Loans ("NPL") - The Bank has a well-defined process for identification of EA, WL & NPL accounts and dealing with them effectively. There are policies which govern credit grading of EA, WL & NPL accounts and impairment, in line with IFRS and regulatory guidelines.

Consumer banking credit risk management
The Bank has a structured management framework for Consumer Banking risk management. The framework enables the Bank in identification and evaluation of the significance of all credit risks that the Bank faces, which may have an adverse material impact on its financial position.

In the Consumer Banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to lending transactions.

The Bank's provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Bank to prudently recognise impairment on its retail portfolios.

Model risk management and independent validation
The Bank has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS 9 accounting standards.

To manage the model risks, the Bank has implemented the Group Model Governance Framework (the "Framework"). The Framework is a Bank wide policy and is applicable to models in all entities and subsidiaries of the Bank. According to the Framework, all internally or externally (vendor based) developed risk quantification models that directly affect the financial reporting on Expected Loss ("EL") and Lifetime Expected Loss ("LEL") require independent validation.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Credit risk management and structure (continued)

Credit risk management and structure specific to the Bank (continued)

Model risk management and independent validation (continued)
The Framework establishes a systematic approach to manage the development, validation, approval, implementation and on-going use of the models. It sets out an effective management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the Framework must be approved by the Board of Directors or the Board Risk Committee ("BRC") of the Bank.

The Bank has an independent validation function that performs independent model validation. It provides Fit-for-Purpose ("FFP"), Conditional Approval ("CA") or Not Fit-for-Purpose ("NFFP") recommendation for the BRC or an appropriately delegated authority to approve the use of the new risk quantification/valuation models. In addition to new model validation, the validation function also evaluates the performance of existing models through an annual validation process. The independency of the team enables it to serve as an effective second line of defense for the bank. Board Credit & Investment Committee ("BCIC") of the Bank is the ultimate authority to approve credits and has delegated credit approving authorities to sub-committees

Trade and other receivables
Sales are made to customers on mutually agreed terms. The credit committees set up by the respective subsidiaries are responsible for determining:

- The creditworthiness of its customers;
- The credit exposure and the credit ratings of the customers; and
- The required appropriate collateral to be held as security and financial guarantees.

Credit risk measurement
The Group uses a combination of general approach and simplified approach to measure credit risk and compute expected credit losses.

For instruments where the general approach is used, the estimation of credit risk for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails making further estimations on the likelihood of defaults occurring and the associated loss ratios. The Group measures credit risk using the PD, EAD and LGD. These parameters are generally derived from internally developed statistical models and other historical data, and are adjusted to reflect forward-looking information.

For instruments where the simplified approach is followed (this mainly includes trade receivables, due from related parties, loan receivables (non-banking operations) retention receivables, contract receivables and finance lease receivables), credit risk is assessed using a provision matrix approach. Under the provision matrix approach, a historical credit loss experience adjusted for forward-looking information is used in estimating ECL.

The Group carries periodic reviews of its counterparties, to update their credit worthiness in the light of all actual market available information and historical observed defaults.

Credit risk measurement specific to the Bank

Credit risk grading
The Bank allocates exposure with respect to loans and receivables, Islamic financing and investments in debt securities to a credit risk grade that reflects its assessment of the probability of default of individual counterparties. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of counterparty. Credit risk grades are defined and calibrated in such a way that the risk of default occurring increases exponentially as the credit risk deteriorates. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the counterparty. The financial assets for which the credit risk grades corresponds to the definition of credit-impaired financial assets are classified as non-performing financial assets.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Credit risk measurement (continued)

Credit risk measurement specific to the Bank (continued)

Credit risk grading (continued)
The following are additional considerations for each type of portfolio held by the Bank:

Retail:
After the date of initial recognition, for retail business, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. Any other known information about the borrower which impacts their credit worthiness such as: unemployment and previous delinquency history is also incorporated into the behavior score. This score is mapped to a PD.

Wholesale:
For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessment into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Treasury:
For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Bank's rating method comprises 24 rating levels for instruments not in default (1 to 24) and 4 default classes (25 to 28). The Bank's internal rating scale are mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating models are reviewed for recalibration so that they reflect the latest projections in the light of all actually observed defaults.

Significant increase in credit risk
The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

Wholesale:
Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date.

Retail:
Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk.

Qualitative criteria:
The Bank also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Backstop:
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets
The Bank defines a financial instrument as in default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative:
The borrower is more than 90 days past due on its contractual payments.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Credit risk measurement (continued)

Credit risk measurement specific to the Bank (continued)

Definition of default and credit-impaired assets (continued)

Qualitative:
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances like long-term forbearance, borrower is insolvent, borrower is entering bankruptcy etc.

Curing
The Bank continues to monitor such financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Bank is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading from Stage 3 to 2.

Forward-looking information incorporated in the ECL model
The assessment of significant increase in credit risk ("SICR") and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario along with scenario weighting") are obtained externally on a quarterly basis. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Credit risk monitoring
Wholesale Banking: the Bank's exposures are continuously monitored through a system of triggers and early warning signals. These are supplemented by monitoring of account conduct, assessment of collateral and market intelligence and early alerts.

Early Alert accounts are identified based on oversight, vigilance and risk triggers. Account strategy and action plans on these accounts are regularly monitored and discussed in the Early Alert Committee meetings.

Additionally for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by IFRS 9 Governance Forum.

Consumer Banking: risks of the Bank's loan portfolio are continuously assessed and monitored on the basis of exceptions, management information reports and returns generated by the business and credit units. Credit risk is also monitored on an ongoing basis with formal monthly and quarterly reporting to ensure that senior management is aware of shifts in the credit quality of the portfolio along with changing external factors.

Credit risk mitigation strategy
The Bank operates within prudential exposure ceilings set by its Board in line with UAE Central Bank guidelines. There are well laid out processes for exception management and escalation. The Bank has adopted measures to diversify the exposures to various sectors. Diversification is achieved by limiting concentration through setting customer, industry and geographical limits.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Credit risk measurement (continued)

Credit risk measurement specific to the Bank (continued)

Credit risk mitigation strategy (continued)

The risk transfer in the form of syndicated loans, risk participation agreements with other banks, credit default swaps and sale of loans are globally accepted practices followed by the Bank, where appropriate, to limit its exposure.

Collateral management
Collateral and guarantees are effectively used as mitigating tools by the Group's banking operations. The quality of collateral is continuously monitored and assessed.

Where credit facilities are secured by collateral, the Group seeks to ensure the enforceability of the collateral.

Collateral is revalued regularly as per the Bank's credit policy. In addition, ad-hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Bank to assess the fair market value of the collateral and ensure that risks are appropriately covered. Security structures and legal covenants are also subject to regular review.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk arising from financial assets at the reporting date was:

	2019 AED'000	*2018 AED'000*
Investment securities	**59,009,892**	23,839,871
Other non-current assets	**6,367,225**	9,652,830
Positive fair value of derivatives	**8,156,489**	4,325,730
Islamic financing and investment products	**71,408,178**	71,026,050
Loans and receivables	**381,118,174**	274,213,255
Trade and other receivables	**34,331,153**	28,256,941
Customer acceptances	**10,227,557**	7,736,164
Deposits with banks (including due from banks)	**171,022,764**	143,626,258
	741,641,432	562,677,099

The maximum exposure to credit risk relating to a financial guarantee and a letter of credit is the maximum amount the Group might have to pay if these are called on. The maximum exposure to credit risk relating to an undrawn loan commitment is the full amount of the commitment.

The table below shows the Group's maximum credit risk exposure arising from commitments and guarantees at the reporting date:

	2019 AED'000	*2018 AED'000*
Letters of credit	**14,923,938**	13,798,684
Financial guarantees	**67,602,921**	50,663,968
Liabilities on risk participation	**175,090**	593,804
Group's share of financial guarantees issued by associates and joint ventures	**9,653,225**	9,044,104
Group's share of letters of credit issued by associates and joint ventures	**1,044,488**	1,050,379
Undrawn loan commitments	**53,140,987**	30,878,457
	146,540,649	106,029,396

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Exposure to credit risk (continued)

The credit quality and movement in allowance for impairment of other non-current assets, trade receivables, due from related parties, loan receivables (non-banking receivables), retention receivables, contract receivables, finance lease receivables, Islamic financing and investment products, and loans and receivables as at year-end / during the year (respectively) are disclosed in notes 17, 19, 20 and 21.

37.2 Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due, or that it can only do so at excessive cost. Liquidity risk mainly relates to trade and other payables (including amounts due to related parties), borrowings and lease liabilities, Islamic customer deposits and customer deposits. The objective of liquidity risk management is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation. Each subsidiary is also responsible for managing its liquidity risk. The Group manages its liquidity by:

- Setting appropriate liquidity risk management frameworks for short, medium and long-term funding and liquidity management requirements;
- Monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of assets that can be easily liquidated; and
- Maintaining adequate cash reserves and banking facilities.

The following are the maturities of financial liabilities, including interest payments, and certain off-balance sheet commitments and contingencies based on contractual undiscounted repayment obligations, at the reporting date:

31 December 2019

	Carrying amount AED'000	*Contractual cash flows AED'000*	*Less than one year AED'000*	*One to five years AED'000*	*More than five years AED'000*
Financial liabilities					
Customer deposits	**373,144,353**	**376,132,683**	**353,694,288**	**22,190,008**	**248,387**
Islamic customer deposits	**84,101,908**	**85,075,821**	**77,181,545**	**7,673,289**	**220,987**
Borrowings and lease liabilities	**302,297,117**	**350,381,109**	**102,193,687**	**139,869,530**	**108,317,892**
Other non-current payables	**11,950,919**	**13,823,700**	**-**	**8,160,931**	**5,662,769**
Customer acceptances	**10,227,557**	**10,227,557**	**10,227,557**	**-**	**-**
Trade and other payables	**55,061,385**	**55,095,706**	**54,385,791**	**701,385**	**8,530**
Negative fair value of derivatives	**6,360,306**	**6,293,098**	**1,736,288**	**2,724,252**	**1,832,558**
Total liabilities	**843,143,545**	**897,029,674**	**599,419,156**	**181,319,395**	**116,291,123**
Off-balance sheet commitments and contingencies					
Letters of credit and financial guarantees	**82,526,859**	**82,526,859**	**58,270,506**	**14,401,102**	**9,855,251**
Group's share of letters of credit and financial guarantees issued by associates and joint ventures	**10,697,713**	**10,697,713**	**7,692,860**	**2,304,190**	**700,663**
Undrawn loan commitments	**53,140,987**	**53,140,987**	**42,455,856**	**10,182,930**	**502,201**
Total off balance sheet items	**146,365,559**	**146,365,559**	**108,419,222**	**26,888,222**	**11,058,115**

37 FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

The following are the maturities of financial liabilities, including interest payments, and certain off-balance sheet commitments and contingencies based on contractual undiscounted repayment obligations, at the reporting date: (continued)

31 December 2018

	Carrying amount AED'000	*Contractual cash flows AED'000*	*Less than one year AED'000*	*One to five years AED'000*	*More than five years AED'000*
Financial liabilities					
Customer deposits	279,459,659	282,676,591	272,251,632	10,424,959	-
Islamic customer deposits	52,860,919	53,356,200	52,863,607	492,593	-
Borrowings and lease liabilities	215,452,438	245,092,465	60,703,358	94,474,281	89,914,826
Other non-current payables	8,403,460	8,976,920	-	6,180,121	2,796,799
Customer acceptances	7,736,164	7,736,164	7,736,164	-	-
Trade and other payables	46,787,594	46,831,029	46,458,055	227,472	145,502
Negative fair value of derivatives	3,896,127	3,891,526	1,879,616	1,304,127	707,783
Total liabilities	614,596,361	648,560,895	441,892,432	113,103,553	93,564,910
Off-balance sheet commitments and contingencies					
Letters of credit and financial guarantees	64,462,652	64,462,652	51,014,886	11,555,596	1,892,170
Group's share of letters of credit and financial guarantees issued by associates and joint ventures	10,094,483	10,094,483	6,845,980	2,740,251	508,252
Undrawn loan commitment	30,878,457	30,878,457	22,233,920	7,705,478	939,059
Total off balance sheet items	105,435,592	105,435,592	80,094,786	22,001,325	3,339,481

The Group is also exposed to liquidity risk in respect of those contingencies and commitments as are disclosed in notes 35 (a), (b) and (e).

37.3 Market risk

Market risk is the risk that changes in market factors, such as equity prices, commodity prices, credit spreads, interest or profit rates and foreign currency rates will affect the Group's income, equity or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns. The diverse activities of entities within the Group create exposures to specific market risks that are managed through risk management frameworks appropriate for the inherent business risks. Certain subsidiaries buy and sell derivatives and incur financial liabilities to manage market risks. All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the relevant entity.

Relevant aspects of the Bank's market risk framework are described below.

Market risk specific to banking operations

To better capture the multi-dimensional aspects of market risk, the Bank's primary market risk metric is a statistical measure, Value-at-Risk ("VaR"), used for short-term risk holding periods. VaR metrics are calculated daily for the specific Trading Desk listed below:

- Interest Rate Desk VaR;
- Foreign Exchange Desk VaR; and
- Overall Trading Book VaR.

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

Market risk specific to banking operations (continued)

The year-end VaR numbers reported below have been derived using the following parameters:

- Statistical level of confidence: 99%
- Holding period: 1 business day
- Methodology: full revaluation, historical simulation using over 2 years of historical market data

Total value-at-Risk

By Trading Desk	*Average AED'000*	*Maximum AED'000*	*Minimum AED'000*	*Actual* AED'000*
31 December 2019				
Interest rate risk	**5,467**	**11,228**	**3,101**	**3,856**
Foreign exchange risk	**2,175**	**8,442**	**379**	**1,085**
Credit trading risk	**1,503**	**3,445**	**439**	**1,340**
Total	**7,308**	**18,215**	**4,258**	**5,039**
31 December 2018				
Interest rate risk	18,470	29,223	2,381	3,402
Foreign exchange risk	12,687	26,764	6,648	7,307
Credit trading risk	929	3,015	220	1,831
Total	23,947	42,902	6,331	6,647

* Note that the sum of asset class VaR metrics does not add up to the reported Total VaR metric due to diversification and cross correlation effects.

The major foreign currency open positions of the Bank are as follows:

	2019 *AED'000* **Long / (Short)**	*2018* *AED'000* Long / (Short)
U.S. Dollar (USD)	**(977,451)**	3,331,213
Oman Riyal (OMR)	**(268,762)**	(307,621)
Euro (EUR)	**565,274**	9,314
Saudi Riyal (SAR)	**(1,066,290)**	(443,688)
Turkish Lira (TRY)	**(1,981)**	2,394
Egyptian Pound (EGP)	**239,527**	88,823
Bahraini Dinar (BHD)	**(256,385)**	(244,256)

As AED, SAR, OMR and BHD are pegged against USD, the Bank's exposure to these currencies is limited to that extent. Exposure to other foreign currencies is insignificant.

37.3.1 Equity price risk

Equity price risk arises from investments in equity instruments measured at FVTPL and FVOCI at the reporting date. Group entities are responsible for monitoring their investment portfolios. Material investments within portfolios are managed on an individual basis. All such investments are managed in accordance with the risk framework approved by the Board of Directors of the relevant entity.

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.1 Equity price risk (continued)

Equity price risk – sensitivity analysis
A five percent increase in equity prices would have increased the fair value of securities by AED 331,239 thousand (2018: AED 285,767 thousand); an equal change in the opposite direction would have decreased the fair value of securities by AED 331,239 thousand (2018: AED 285,767 thousand). The following table demonstrates the sensitivity of the Group's equity and profit to a 5 percent change in the price of its equity holdings, assuming all other variables, in particular foreign currency rates, remain constant.

	Effect on profit AED'000	***Effect on equity AED'000***
31 December 2019		
Effect of changes in equity portfolio of the Group	**131,321**	**331,239**
31 December 2018		
Effect of changes in equity portfolio of the Group	135,538	285,767

37.3.2 Commodity price risk

The Group is exposed to commodity price risk mainly from the price volatility of crude oil and oil derived products. The Group manages its exposure to changes in oil prices, and, in doing so, may use commodity derivative instruments including commodity futures, swaps and options. All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the relevant entity.

Commodity price risk – sensitivity analysis
An increase of 5% in oil prices relating to commodity derivative contracts would have increased / (decreased) equity and profit respectively by the amounts shown below. This analysis assumes that all other variables remain constant. An equivalent decrease of the same magnitude would have an equal but opposite effect.

	Effect on profit AED'000	***Effect on equity AED'000***
31 December 2019		
Effect of changes in oil prices	**(60,119)**	**393,175**
31 December 2018		
Effect of changes in oil prices	(11,032)	(11,032)

At the reporting date, if the market price of crude oil had been USD 10 per barrel higher/lower, the crude oil under lift receivable would have been higher/lower by AED 13.60 million (2018: crude oil over lift payable would have been higher/lower by AED 45.57 million).

37.3.3 Interest or profit rate risk

The Group is exposed to interest or profit rate risk due to interest rate or profit fluctuations with respect to investment in securities (primarily bonds and sukuks), Islamic financing and investment products, loans and receivables, derivatives, cash and deposits with banks, customer deposits, Islamic customer deposits, and borrowings and lease liabilities.

Certain subsidiaries manage their interest or profit rate risk by entering into interest rate swap contracts. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates or conversely. For details on the fair values, notional amounts and maturity analysis of interest rate swap contracts, please see note 29.

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.3 Interest / profit rate risk (continued)

Banking operations
The Bank measures, monitors and manages the interest rate risk in its banking book, and its key components repricing risk, yield curve risk, basis risk, and optionality, as appropriate.

Interest Rate Risk in the Banking Book ("IRRBB") is defined as the exposure of the non-trading products of the Bank to interest rates. Non-trading portfolios include all banking book positions that arise from the interest rate on the Bank's consumer and commercial banking assets and liabilities, and debt instruments measured at FVOCI and amortised cost. IRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of interest rate changes.

In order to manage this risk optimally, IRRBB in non-trading portfolios is transferred to the Bank's treasury under the supervision of the Bank's Asset and Liability Committee ("ALCO"), through Funds Transfer Pricing ("FTP") Systems. The Bank's ALCO is required to regularly monitor all such interest rate risk positions to ensure they comply with interest rate risk limits.

In order to measure the overall interest sensitivity in the banking book, the Bank conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points ("bp"), and assessing the corresponding impact on its net interest income.

	31 December 2019		*31 December 2018*	
	Amount AED'000	***Variance AED'000***	*Amount AED'000*	*Variance AED'000*
Rates Up 200 bp	**22,169,490**	**2,333,073**	16,951,915	3,305,288
Base Case	**19,836,417**	**-**	13,646,627	-
Rates Down 200 bp	**16,677,990**	**(3,158,427)**	9,737,839	(3,908,788)

The interest rate sensitivities set out in the table above are based on a set of scenarios i.e. the projections above assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net interest income of some rates changing while others remain unchanged. The projections also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by the Bank's treasury or in the business units to mitigate the impact of this interest rate risk. In practice, the Bank's treasury seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenue.

Non-banking operations
The table below shows the effect on the consolidated income statement and consolidated statement of changes in equity of an increase of 100 basis points in interest/profit rate relating to the net interest/profit bearing financial assets and liabilities of non-banking operations of the Group. The analysis below excludes interest capitalised and assumes that all other variables remain constant. An equivalent decrease would have an equal but opposite effect accordingly.

	31 December 2019 Effect on		*31 December 2018 Effect on*	
	profit AED'000	***equity AED'000***	*profit AED'000*	*equity AED'000*
100 bp increase in rates	**(702,903)**	**(280,472)**	(593,048)	(394,371)

37.3.4 Currency risk

Banking operations
The foreign currency open positions of the Group's banking operations are disclosed in the market risk section specific to banking operations (see note 37.3).

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.4 Currency risk (continued)

Non-banking operations

The Group's non-banking operations are exposed to foreign exchange risk on transactions denominated in currencies other than the functional currencies of the Group entities. These transactions give rise to foreign currency exposures. In practice, there is no foreign exchange risk involved in respect of monetary assets and liabilities denominated in USD since AED is currently pegged to USD. Certain Group entities operate in countries where exchange controls and other foreign exchange restrictions apply. Group entities monitor exchange rate movements and the related impact on their financial assets and financial liabilities, and manage their foreign currency exposure in accordance with their risk management framework. A 5% change in exchange rate of foreign currencies other than USD would not have a significant impact on the Group's profit or equity.

37.4 Capital management

The objective of the Group's capital management is to ensure that it maintains strong capital ratios to enable it to support its business and maximise value for the Government.

The Group manages its capital structure in light of changes in economic and market conditions. The total equity comprises capital, other distributable and non-distributable reserves and retained earnings adding up to AED 204,637,998 thousand as at 31 December 2019 (2018: AED 197,657,612 thousand).

The Group has certain bank borrowing arrangements that require maintaining certain ratios and shareholding structure. Apart from these requirements and subordination of funding provided by the shareholders of certain subsidiaries, certain Group entities, such as the Bank, operate in a highly regulated environment and accordingly their capital management is subject to specific regulatory requirements.

38 OPERATING SEGMENTS

An operating segment is a significant distinguishable component of the Group's business activities that is subject to risks and rewards different from those of other segments. The financial information of Group's operating segments is regularly monitored and evaluated by the Group's management.

For such monitoring and evaluation purposes, the Group is organised in three major reportable operating segments:

- Banking and other financial services: this segment comprises of banking operations, non-bank financial institutions, holding and administering of interests in financial exchanges and financial transaction management advisory services;
- Transportation and related services: this segment comprises primarily of passenger and commercial air transportation (including retail of consumer goods and in-flight catering), airport handling operations, aircraft handling and engineering services, other travel related services and aircraft leasing services; and
- Oil and gas products/services: this segment comprises of upstream oil and gas production, downstream marketing, retailing of oil and gas, and refinery functions.

Other segments are components of the Group's business activities that need not be disclosed separately as per the criteria specified under IFRS 8 - Operating Segments. A brief description of these businesses is as follows:

- Retail trade: primarily comprises of duty free retail services at Dubai's airports, ownership and operations of supermarkets and retail services, and trading of goods and services across various sectors;
- Hotels and leisure: primarily comprises of the hotels owned and/or managed by the Group and related operations;
- Real estate and construction: comprises of income from development, construction contracting, structural steelwork manufacturing, operating leases of buildings, and rental of exhibition and convention centres; and
- Other investment income: primarily comprises of investment operations.

38 OPERATING SEGMENTS (continued)

The following table presents revenue and profit related information of the Group's operating segments for the year ended 31 December 2019 and 31 December 2018:

31 December 2019

	Banking and other financial services AED'000	*Transportation and related services AED'000*	*Oil and gas products / services AED'000*	*Others AED'000*	*Total AED'000*
Total revenue	34,307,992	119,923,979	60,606,226	25,672,982	240,511,179
Intra-segment revenue	(4,183)	(4,171,781)	-	(1,603,030)	(5,778,994)
Inter-segment revenue	(182,961)	(174,770)	(6,316,638)	(46,786)	(6,721,155)
Total revenue from external customers	**34,120,848**	**115,577,428**	**54,289,588**	**24,023,166**	**228,011,030**
Interest and similar income / income from Islamic financing and investment products	28,082,141	-	-	-	28,082,141
Lease revenue	44,443	4,115,128	186,694	1,135,951	5,482,216
Revenue from contracts with customers - IFRS 15:					
- Over a period of time	28,220	102,430,814	-	11,086,103	113,545,137
- Single point in time	5,962,095	9,031,486	54,102,894	11,622,227	80,718,702
Other revenue	3,949	-	-	178,885	182,834
Total revenue from external customers	**34,120,848**	**115,577,428**	**54,289,588**	**24,023,166**	**228,011,030**
Depreciation and impairment charge on property, plant and equipment, right-of-use assets, investment properties and development properties	**804,520**	**22,554,392**	**2,442,912**	**1,576,546**	**27,378,370**
Amortisation and impairment charge on intangible assets	**125,806**	**579,897**	**638,811**	**454,246**	**1,798,760**
Other finance cost	**223,454**	**7,385,931**	**492,035**	**1,634,075**	**9,735,495**
Other finance income	**115,689**	**585,299**	**333,763**	**734,772**	**1,769,523**
Share of results of equity accounted investees	**2,209,568**	**234,677**	**175,125**	**1,206,351**	**3,825,721**
Profit for the year before income tax	**17,318,815**	**5,393,672**	**465,421**	**2,745,945**	**25,923,853**

38 OPERATING SEGMENTS (continued)

The following table presents revenue and profit related information of the Group's operating segments for the year ended 31 December 2019 and 31 December 2018: (continued)

31 December 2018

	Banking and other financial services AED'000	*Transportation and related services AED'000*	*Oil and gas products / services AED'000*	*Others AED'000*	*Total AED'000*
Total revenue	24,195,928	121,204,262	77,255,500	23,353,772	246,009,462
Intra-segment revenue	-	(4,061,380)	-	(1,713,042)	(5,774,422)
Inter-segment revenue	(137,096)	(168,233)	(7,417,171)	(77,764)	(7,800,264)
Total revenue from external customers	24,058,832	116,974,649	69,838,329	21,562,966	232,434,776
Interest and similar income / income from Islamic financing and investment products	19,784,688	-	-	-	19,784,688
Lease revenue	43,288	4,198,616	221,150	1,161,073	5,624,127
Revenue from contracts with customers - IFRS 15:					
- Over a period of time	31,175	104,676,230	-	8,851,346	113,558,751
- Single point in time	4,193,740	8,099,803	69,617,179	11,367,008	93,277,730
Other revenue	5,941	-	-	183,539	189,480
Total revenue from external customers	24,058,832	116,974,649	69,838,329	21,562,966	232,434,776
Depreciation and impairment charge on property, plant and equipment, investment properties and development properties	526,077	12,173,603	1,779,990	1,532,516	16,012,186
Amortisation and impairment charge on intangible assets and release of advance lease rentals	57,766	1,044,388	14,491	475,000	1,591,645
Other finance cost	144,244	3,888,275	448,337	1,487,014	5,967,870
Other finance income	114,882	588,169	695,431	755,796	2,154,278
Share of results of equity accounted investees	2,018,931	278,731	112,848	2,316,714	4,727,224
Profit for the year before income tax	12,194,241	3,579,474	2,418,787	4,085,541	22,278,043

The cost of revenue of banking and financial services segment mainly includes interest and similar expense of AED 9,250 million (2018: AED 4,938 million). Cost of oil and gas products consumed and traded included in the cost of revenue of oil and gas products / services operating segment amounted to AED 51,044 million (2018: AED 69,648 million). The cost of revenue of the transportation and related services segment includes jet fuel cost, in-flight catering cost, and airport handling and operations cost of AED 22,443 million (2018: AED 25,654 million), AED 4,631 million (2018: AED 4,451 million) and AED 6,015 million (2018: AED 5,972 million) respectively.

38 OPERATING SEGMENTS (continued)

The following table presents assets and liabilities related information of the Group's operating segments as at 31 December 2019 and 31 December 2018:

31 December 2019

	Banking and other financial services AED'000	***Transportation and related services AED'000***	***Oil and gas products / services AED'000***	***Others AED'000***	***Total AED'000***
Segmental assets*	**711,483,535**	**238,958,738**	**45,492,110**	**124,303,977**	**1,120,238,360**
Segmental liabilities*	**598,476,332**	**194,133,985**	**25,334,703**	**51,578,408**	**869,523,428**

31 December 2018

	Banking and other financial services AED'000	*Transportation and related services AED'000*	*Oil and gas products / services AED'000*	*Others AED'000*	*Total AED'000*
Segmental assets*	526,920,848	189,962,460	43,036,608	117,392,344	877,312,260
Segmental liabilities*	431,851,865	141,000,574	20,963,118	47,199,947	641,015,504

* Assets and liabilities classified as held for sale as at 31 December 2019 and 31 December 2018 have not been considered for IFRS 8 – Operating Segments disclosures.

39 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

List of significant subsidiaries, associates and joint ventures along with their principal activities is as follows:

SUBSIDIARIES:

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
List of significant subsidiaries of ICD				
Emirates NBD PJSC	**55.76%**	55.76%	UAE	Banking
Emirates National Oil Co. Limited (ENOC) LLC	**100.00%**	100.00%	UAE	Development and production of oil and gas, gas gathering and processing, production and selling of methyl tertiary butyl ether ("MTBE"), marketing of petroleum products and retailing at service stations, oil trading, terminalling and storage, condensate processing, aviation fuel marketing, lubricant marketing, bunkering and oil related shipping activities
Dubai World Trade Centre Authority	**100.00%**	100.00%	UAE	Management of the Dubai World Trade Centre Complex
Emirates	**100.00%**	100.00%	UAE	Commercial air transportation including passenger, cargo and postal carriage services, wholesale and retail of consumer goods, in-flight and institutional catering and hotel operations
Dnata/dnata World Travel	**100.00%**	100.00%	UAE	Ground and cargo handling services, travel services and inflight catering
Dubal Holding LLC	**100.00%**	100.00%	UAE	Investment company in commercial / industrial enterprises and management
Borse Dubai Limited	**89.72%**	89.72%	UAE	Acquire and hold interests in undertakings operating or active in the financial exchange sector as well as the administration, development and management of such holdings
Dubai Duty Free Establishment	**100.00%**	100.00%	UAE	Duty free operations at Dubai airports
Dubai Silicon Oasis Authority	**100.00%**	100.00%	UAE	Development and management of a Free Zone Technology park
Dubai Airport Freezone Authority	**100.00%**	100.00%	UAE	Leasing office and warehouse space, leasing of land, issuing licenses, and providing other ancillary services

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
List of significant subsidiaries of ICD (continued)				
National Bonds Corporation PJSC	**100.00%**	100.00%	UAE	Fund manager for a Shari'ah compliant open-ended investment fund
Dubai Aerospace Enterprises (DAE) Limited	**100.00%**	95.74%	UAE	Operations in aircraft leasing, maintenance, repair and overhaul
Kerzner International Holdings Ltd	**99.99%**	99.99%	Bahamas	Hotel operations and management
Emaratech (Emarat Technology Solutions) FZ LLC	**100.00%**	100.00%	UAE	Information Technology software solutions for General Department for Residency and Foreign Affairs, Ministry of Interior and other government departments
Aswaaq LLC	**100.00%**	100.00%	UAE	Operations of retail supermarkets and retail trading
Smartstream Technologies Holding Investments Limited	**100.00%**	100.00%	UAE	Development, distribution and service of its transaction lifecycle management software products and data management services
Atlantis the Palm 2 Holding LLC	**100.00%**	100.00%	UAE	Leisure and hospitality
Gazelle Finance Limited	**100.00%**	100.00%	Cayman Islands	Investment holding
Deira Waterfront Development Holdings LLC	**100.00%**	100.00%	UAE	Holding company of property development management
Cleveland Bridge and Engineering Middle East (Private) Limited	**51.00%**	51.00%	UAE	Contracting for designing, industrial and commercial structures
Ssangyong Engineering & Construction Co. Ltd	**99.98%**	99.94%	South Korea	Engineering and construction contracting
Imdaad LLC	**100.00%**	100.00%	UAE	Facility management services
Dubai Aviation Corporation (trading as "flydubai")	**100.00%**	100.00%	UAE	Commercial air transportation including passengers, cargo and postal carriage services

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
List of significant subsidiaries of ICD (continued)				
Ithra Dubai Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Property investment and development, and property management services
Deira Creek Holdings LLC	**90.00%**	90.00%	UAE	Leisure, hospitality, and leasing
ISS Global Forwarding One Person Company LLC	**100.00%**	100.00%	UAE	Global freight forwarding services
One Zaabeel Holdings LLC	**100.00%**	100.00%	UAE	Property development
ICD Hospitality & Leisure LLC	**100.00%**	100.00%	UAE	Holding company of entities engaged in leisure and hospitality activities
Dubai Global Connect LLC	**100.00%**	100.00%	UAE	Property development management
Ithra Europe Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Leisure, real estate and hospitality
Ithra Africa Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Leisure, real estate and hospitality
ICD Cape Town FZE	**100.00%**	100.00%	UAE	Holding and propriety company of hotel operations
Columbus Centre Corporation (Cayman)	**100.00%**	100.00%	Cayman Islands	Hotel operations
ICD Funding Limited	**100.00%**	100.00%	Cayman Islands	Vehicle to issue EMTN funds
Ibtikar Innovation Investment LLC	**100.00%**	100.00%	UAE	Investment in commercial enterprises and management
Binaa Dubai LLC	**100.00%**	100.00%	UAE	Investment in commercial enterprises and management
Palmilla JV, LLC	**100.00%**	100.00%	Delaware	Holding company of hotel operations
List of significant subsidiaries of Dubai Aerospace Enterprises (DAE) Limited				
DAE Holding KFT (direct owner of AWAS)	**100.00%**	100.00%	UAE	Acquires, leases, and sells commercial jet and associated aircraft disposals
DAE Funding LLC	**100.00%**	100.00%	Delaware	Borrower

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
List of significant subsidiaries of Smartstream Technologies Holding Investments Limited				
SmartStream Technologies Limited	**100.00%**	100.00%	UK	Intellectual property ownership, software development, distribution, support, and implementation
SmartStream Technologies GmbH	**100.00%**	100.00%	Austria	Software development, distribution, support and implementation
SmartStream Technologies Inc.	**100.00%**	100.00%	USA	Software distribution, support and implementation
List of significant subsidiaries of Binaa Dubai LLC				
ALEC Engineering & Contracting LLC	**90.00%**	90.00%	UAE	Engineering and construction contracting
List of significant subsidiaries of Emirates NBD PJSC				
Emirates Islamic Bank PJSC	**99.90%**	99.90%	UAE	Islamic banking
DenizBank A.S.	**100.00%**	-	UAE	Banking
Emirates NBD Egypt S.A.E	**100.00%**	100.00%	Egypt	Banking
Dubai Bank PJSC	**100.00%**	100.00%	UAE	Islamic banking
List of significant subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC				
Dubai Natural Gas Company Limited	**100.00%**	100.00%	UAE	Gas processing
Emirates Gas LLC	**100.00%**	100.00%	UAE	Bottling and sale of LPG
Emirates National Oil Company (Singapore) Private Limited	**100.00%**	100.00%	Singapore	Petroleum supply & trading
ENOC Processing Company LLC	**100.00%**	100.00%	UAE	Petroleum refining
ENOC Properties LLC	**100.00%**	100.00%	UAE	Lease out commercial properties for rental purposes
Dragon Oil (Holdings) Limited	**100.00%**	100.00%	UAE	Upstream oil and gas exploration, development and production
Horizon Emirates Terminals LLC	**100.00%**	100.00%	UAE	Petroleum terminal
ENOC Marketing L.L.C.	**100.00%**	100.00%	UAE	Petroleum sales and marketing

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
List of significant subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC (continued)				
ENOC Lubricants and Grease Manufacturing Plant L.L.C.	**100.00%**	100.00%	UAE	Lubricant and grease manufacturing
ENOC Retail L.L.C.	**100.00%**	100.00%	UAE	Service stations, retail, and marketing
Horizon Terminals Limited	**100.00%**	100.00%	Bahamas	Terminalling holding company
List of significant subsidiaries of Emirates				
Maritime & Mercantile International L.L.C.	**68.70%**	68.70%	UAE	Wholesale and retail of consumer goods
Emirates Leisure Retail L.L.C.	**68.70%**	68.70%	UAE	Food and beverage operations
Emirates Flight Catering Company L.L.C.	**90.00%**	90.00%	UAE	In-flight and institutional catering
List of significant subsidiaries of dnata / dnata World Travel				
Dnata Aviation Services Ltd	**100.00%**	100.00%	United Kingdom	Ground and cargo handling services
dnata Travel Holdings UK Limited	**100.00%**	100.00%	United Kingdom	Travel agency
Dnata Catering Services Limited	**100.00%**	100.00%	UAE	In-flight catering services
List of significant subsidiaries of Borse Dubai Limited				
Dubai Financial Market (DFM) PJSC	**80.72%**	79.70%	UAE	Electronic financial market
Nasdaq Dubai Limited	**87.14%**	86.42%	UAE	Electronic financial market
List of significant subsidiaries of Atlantis the Palm 2 Holding LLC				
The Royal Atlantis Resort & Residences FZCO	**100.00%**	100.00%	UAE	Operating real estate assets
Atlantis the Palm 2 Development LLC	**100.00%**	100.00%	UAE	Real estate development
List of significant subsidiaries of ICD Hospitality and Leisure LLC				
Atlantis the Palm Holding Company Limited	**100.00%**	100.00%	British Virgin Islands	Hotel operation

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
List of significant subsidiaries of ICD Hospitality and Leisure LLC (continued)				
Hotels Washington Corporation (Cayman)	**100.00%**	100.00%	Cayman Islands	Hotel operation
Optimum ICD Holdings LLC	**90.00%**	90.00%	USA	Investment company
List of significant subsidiaries of Deira Waterfront Development Holdings LLC				
Deira Waterfront Development LLC	**100.00%**	100.00%	UAE	Property development management
ASSOCIATES:				
List of significant associates of ICD				
Emaar Properties PJSC	**27.50%**	27.50 %	UAE	Property investment and development, property management services, retail, hospitality, and investments in providers of financial services
Dubai Islamic Bank PJSC	**28.37%**	28.37%	UAE	Islamic banking
Commercial Bank of Dubai PSC	**20.00%**	20.00%	UAE	Banking
Noor Investment Group LLC	**25.00%**	25.00%	UAE	Investment company
HSBC Middle East Finance Company Limited	**20.00%**	20.00%	UAE	Provision of hire purchase finance for the purchase of motor vehicles and equipment
Airport Financing Company FZE	**24.50%**	24.50%	UAE	Investment Company
List of significant associates of Emirates NBD PJSC				
National General Insurance Co. PSC	**36.70%**	36.70%	UAE	General and life insurance
List of significant associates of Emirates National Oil Co. Limited (ENOC) LLC				
Vopak Horizon Fujairah Holding Limited	**33.33%**	33.33%	Gibraltar	Rental of storage tanks and provision of related downstream activities
Arabtank Terminals Limited	**36.50%**	36.50%	Saudi Arabia	Rental of storage tanks and provision of related downstream activities

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

ASSOCIATES: (continued)

List of significant associates of Emirates National Oil Co. Limited (ENOC) LLC (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
Gulf Energy Maritime (GEM) P.J.S.C.	**35.62%**	35.62%	UAE	Vessel ownership, ship management and operations, ship chartering and other ancillary services
Horizon Djibouti Holding Limited	**44.44%**	44.44%	Djibouti	Rental of storage tanks and provision of related downstream activities
Horizon Tangiers Terminals S.A.	**34.00%**	34.00%	Morocco	Rental of storage tanks and provision of related downstream activities

List of significant associates of Borse Dubai Limited

Nasdaq, Inc. (see note 39.1)	**18.04%**	18.03%	USA	Stock Exchange

JOINT VENTURES:

List of significant joint ventures of ICD

Dubai Cable Company (Private) Limited	**50.00%**	50.00%	UAE	Manufacture and sales of power cables, control cables, building wires, and lead cables

List of significant joint ventures of Emirates NBD PJSC

Network International LLC (see note 15(a))	**-**	51.00%	UAE	Card processing services

List of significant joint ventures of Emirates National Oil Co. Limited (ENOC) LLC

EPPCO International Limited	**50.00%**	50.00%	Bahamas	Petroleum terminal
EPPCO Projects LLC	**51.00%**	51.00%	UAE	Aviation and lubricants marketing

List of significant joint ventures of Dubal Holding LLC

Emirates Global Aluminium PJSC	**50.00%**	50.00%	UAE	Aluminium smelters
JA Power and Water Co. LLC	**50.00%**	50.00%	UAE	Power generation and water desalination

In a number of cases, the Group owns more than a 50% ownership interest in entities and has classified them as associates or joint ventures, as management believes that the Group does not control these entities. In certain cases, the Group has joint control on these entities with other owners and unanimous owner consent is required for strategic financial and operating decisions by these entities.

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

39.1 Although the Group holds less than 20% of the equity shares of Nasdaq Inc. the Group exercises significant influence through having a direct representation on the Board of Directors of Nasdaq Inc. and accordingly, has adopted the equity method of accounting for this investment.

40 SUBSEQUENT EVENTS

40.1 The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections being recorded globally. Measures taken to contain and slow the spread of the virus such as limiting movements of people, restricting flights and temporarily closing businesses have significantly impacted global economic activity, including demand for crude oil. In response, governments and central banks have launched economic support and relief measures (including payment reliefs) to minimise the impact on individuals and corporates.

The Group considers this outbreak to be a non-adjusting post balance sheet event. Businesses across all operating segments of the Group are expected to be impacted to various degrees by COVID-19 and the management teams of ICD and its investee companies have been monitoring the situation closely.

Whilst there is currently limited visibility on how long the COVID-19 crisis will last and how quickly the level of activity will pick up once the crisis abates, management have focused on assessing the liquidity needs of the Group and support from key stakeholders, if required, to protect the businesses during the period of low activity.

Management have taken various actions to adjust the operations to the situation and preserve cash. These vary from one business to another and may include, for instance, some of the following: actions undertaken to manage costs and reduce operating expenditure, minimise working capital needs, defer non-essential capital expenditure, draw down on existing credit facilities, obtain temporary flexibility from lenders on existing facilities, and apply for additional facilities.

As the situation evolves quickly, management have been constantly assessing the adequacy of their plans and, where required, are adapting their course of action.

Management's current assessment of the impact on the Group's key subsidiaries is as follows:

Banking operations
The Bank is considering the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic, also taking into account the notices issued by the Central Bank of UAE with regards to the Targeted Economic Support Scheme ("TESS").

The Bank has initiated a programme of payment relief for its impacted customers by deferring interest/principal due for a period of one month to three months to address borrower cash flow issues. The Bank believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the COVID-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Bank to individually differentiate between a borrowers' short term liquidity constraints and a change in its lifetime credit risk. This approach is consistent with the expectations of the Central Bank of UAE as referred to in the TESS notice.

The Bank continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of COVID-19 or longer term in order to assess the impact on ECL.

For the quarter-ended 31 March 2020, the Bank has reported additional ECL of AED 878 million due to increase in the downturn weighting of the macroeconomic scenario and management overlays. The impact of such uncertain economic environment is judgmental and the Group will continue to reassess its position and the related impact on a regular basis.

40 SUBSEQUENT EVENTS (continued)

Aviation

The worldwide aviation market has been significantly disrupted in the short term, this disruption is expected to be followed by a gradual recovery as travel restrictions are lifted. As a global network airline, Emirates has been unable to viably operate its normal full passenger services and Emirates' revenue will therefore be negatively impacted as a result of the outbreak, although the full impact and the time period of the disruption is not possible to predict with certainty.

Emirates entered this crisis in a strong position, having previously reported profits for the past 32 years and an available cash balance of AED 20.2 billion as at 31 March 2020. Emirates has taken various measures to manage the business through this crisis, including compensating cost saving measures, reductions to discretionary capital expenditure and agreeing additional working capital facilities. These measures also include obtaining committed support from the Government which has publicly confirmed that the Government will financially support Emirates during this period through (a variety of measures including) an additional equity injection, if required.

Further, due to the impact of COVID-19 on Emirates, an impairment test was performed with no resulting impairment charge. Management continues to closely monitor the COVID-19 situation as part of its on-going impact assessment.

Oil and gas

Globally, oil and gas businesses have been particularly impacted by the outbreak because of decreased demand for crude oil which has not been matched by decreased production. Oil prices are nearing historic lows in some indices.

The Group's oil and gas businesses have put in place contingency measures to ensure safety of the workforce and business continuity. Production capacities are closely monitored and inventory levels are reassessed along with logistics readiness. Dependencies are also reviewed and suppliers have been contacted to assess levels of support.

As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown.

Whilst the Group's oil and gas businesses are actively engaged in adjusting their operations, they are equally active protecting their financial condition by taking actions to minimise cash outflows. Management seeks to preserve their cash reserves and can also rely on existing committed borrowing facilities to help them through the challenging market conditions.

Other businesses

COVID-19 has had an immediate impact on sectors such as hospitality, tourism, retail and real estate. It is also affecting supply chains and the production of goods throughout the world and lower economic activity is likely to result in reduced demand for many goods and services.

Retail:

The Group's significant retail operations comprise of duty free operations at the Dubai Airport. Government's measures to contain the virus have resulted in temporary closure of the stores. That, along with other operational challenges may have a material impact on the results for the year. Management believe that the business will be able to sustain itself due to the availability of sufficient cash reserves and no external debt.

Hospitality:

The Group's hospitality businesses have suffered from significantly low occupancy levels and temporary closures resulting from steps taken by governments to contain the virus. Exhibition and convention facilities have been impacted by the cancellation of events, travel restrictions and closures of facilities. Management is working on plans including cost savings and cash flow management to overcome challenges during the period of low activity.

Real estate and construction:

The Group's construction businesses have continued to deliver on projects, with restrictions in some territories. Rental properties with longer term rental contracts have not experienced a significant impact.

40 SUBSEQUENT EVENTS (continued)

40.2 Subsequent to the year-end, pursuant to the Law no. (3) of 2020, the Government transferred the full ownership of Dubai Multi Commodities Centre to ICD.

40.3 Subsequent to the year-end, Dubai Islamic Bank PJSC completed the acquisition of Noor Bank PJSC.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Investment Corporation of Dubai ("ICD" or the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

a) Group audit

The Group has a large number of subsidiaries, associates and joint ventures (collectively referred to as the "Components") that are significant to the Group's consolidated financial statements. The geographically decentralised structure increases the complexity of the Group's control environment and affects our ability as Group auditor to obtain an appropriate level of understanding of these Components including any related party transactions. Due to the complexity of the Group structure and the significance of these Components to the Group's consolidated financial statements, this is considered as a key audit matter.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- As part of our audit, we determined the nature and extent of audit procedures to be carried out for Components and selected significant Components based on size and/or the risk profile.

- During our audit, we have specifically focused on risks in relation to the decentralised structure and we have extended our involvement in local audit work performed by the Component auditors.

- We organised site visits, meetings and conference calls with auditors of the Components in our audit scope. We further discussed the audit approach with significant Component auditors and also provided detailed instructions to them covering the significant areas and risks to be covered including the identification of related parties and the transactions with them. We also set out the information required to be reported back to us as part of group reporting.

Refer to the basis of consolidation in note 2.4 to the consolidated financial statements, note 38 for the listing of Group's significant Components and note 35 for the related party balances and transactions.

b) Impairment of loans and receivables and Islamic financing and investment products

Loans and receivables and Islamic financing and investment products of the Group's commercial and Islamic banking Component, Emirates NBD Bank PJSC and its subsidiaries (the "Bank"), represent a significant part of the total assets of the Group.

On adoption, the Bank's management has applied the requirements of IFRS 9 retrospectively without restating the comparatives. The difference between previously reported carrying amounts as of 31 December 2017 and new carrying amounts as of 1 January 2018, mainly arising from impairment, has been recognised in opening retained earnings.

Due to the inherently judgmental nature of the computation of expected credit losses ("ECL") for loans and receivables and Islamic financing receivables, there is a risk that the amount of ECL may be misstated. As such, we consider this a key audit matter.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

b) *Impairment of loans and receivables and Islamic financing and investment products (continued)*
The key areas of judgement include:

1. The identification of exposure with a significant deterioration in credit quality.
2. Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc.
3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the ECL model.

How key audit matter has been addressed
The risks outlined above were addressed as follows:

- Assessed the modelling techniques and methodology against the requirements of IFRS 9.
- Tested the data, both current and historical, used in determining the ECL.
- Tested the ECL models including build, validation and governance of models.
- Tested the material modelling assumptions in addition to any overlays.
- Examined a sample of exposures and performed procedures to determine whether significant increase in credit risk had been identified on a timely basis
- Reperformed the ECL computation for sample of credit facilities.
- Checked appropriateness of opening balance adjustments mainly arising from impairment.
- Assessed the accuracy of disclosures in the consolidated financial statements.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to impairment of loans and receivables and Islamic financing and investment products, note 2.5 which contains the disclosure of significant accounting judgments and estimates relating to impairment against loans and receivables and Islamic financing and investment products, notes 19 and 20 which contain the disclosure of impairment against Islamic financing and investment products and loans and receivables respectively.

c) Passenger and cargo revenue recognition
Emirates, the Group's Component operating in the aviation sector, provides commercial air transportation services, which include passenger and cargo services. Emirates contributes a significant portion to the total consolidated revenues of the Group.

When a flight booking is made, passenger and cargo revenue is measured based on the sales price to the customer and allocated to each performance obligation under the contract. Revenue is initially deferred on the consolidated statement of financial position and subsequently recognised in the consolidated income statement when the related performance obligation has been fulfilled (typically when a passenger or the cargo has flown).

The determination of the amount of revenue to be recognised for each flight requires complex information technology ("IT") systems and involves the exchange of information with industry systems and other airlines for a high volume of transactions.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

c) Passenger and cargo revenue recognition (continued)

The accounting for passenger and cargo revenue is susceptible to management override of controls through the recording of manual journals in the accounting records, the override of IT systems to accelerate revenue recognition, or the manipulation of inputs used to calculate revenue recorded in respect of unused revenue documents.

The timing of revenue recognition for unused tickets requires judgement due to the timeframe over which tickets can be utilised varying due to the large number of fare types sold by Emirates. The management has determined the value of unused revenue documents that will not be utilised based on ticket validity and historical expiry trends.

We consider this as a key audit matter because of the complexity of the related IT systems, the potential for management override of control, and the significant level of judgement required by the management in determining the timing of recognition of unused revenue documents, in addition to the significance of the revenue from Emirates to the Group.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- End-to-end walkthroughs of the finance and operational processes surrounding the revenue system were performed, utilising the understanding of the industry and Emirates, to assess the design effectiveness of the related key internal controls and identify changes, if any.
- Testing of the operating effectiveness of these controls was performed to obtain sufficient, appropriate evidence that they operated throughout the year as intended.
- Key IT systems, including interfaces that impact the recognition of revenue from passenger and cargo sales were tested including the IT change control procedures and related application controls.
- Tests of details were performed over the passenger and cargo revenue and appropriate substantive tests of manual journal entries posted into relevant revenue accounts in the sub-ledger and general ledger were also performed.
- Data supporting Emirates' historical expiry trend in respect of unused revenue documents was obtained. In addition to performing controls based testing as described above, accuracy of the historical expiry data was tested and was compared with data used by Emirates in their calculation of the amount of revenue to recognise from unused revenue documents.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to revenue recognition of airlines and note 2.5, which contains the disclosure of significant accounting judgments and estimates relating to the passenger and cargo revenue recognition.

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

d) Concentration of related party balances

Under IFRS 7 Financial Instruments: Disclosures, specific disclosures are required for each type of risk arising from financial instruments. These include qualitative disclosure around how exposures arise and how they are measured and managed, summary quantitative data about an entity's exposure to each type of risk, and information about an entity's credit risk exposures, including significant credit risk concentrations ("concentration risk"). In addition, for government owned entities such as ICD, disclosure is required under IAS 24 Related Party Disclosures of a qualitative or quantitative indication of the extent of transactions with the government or related entities.

Note 35 to the consolidated financial statements, describes the Bank's exposure to the Government of Dubai (the "Government"). Significant management judgment is involved in determining the disclosures required by IFRS 7 and IAS 24 to address the concentration and related risks and related party disclosures arising from this balance and the income arising from it. As such, we consider this a key audit matter.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- To audit the balances due from the Government and the related income as recorded in the Bank's books of accounts, a combination of tests of controls, analytical review procedures and specific substantive audit procedures was performed to test related parties and transactions. Key controls in the loan and overdraft granting, booking and monitoring processes were identified, documented and tested.

- Balances were confirmed by the borrower. The calculation of income was re-performed on a sample basis to determine whether it had been recognised in accordance with IFRSs. Minutes of meetings of the Bank's management and those charged with governance were reviewed, and identified related party transactions were compared with those identified by the Bank's management. The adequacy of these disclosures was performed by assessing whether a reasonable user of the consolidated financial statements could understand the exposure of the Group to concentration and related risks, and by considering the ability of such a user to reasonably estimate the extent of transactions with the Government, including the income arising from the receivable balance, based on the disclosures provided.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the relevant accounting policy adopted by the Group and note 35 for details on the related party.

e) Valuation of production and development assets

The recoverability of the carrying amount of production and development assets of Emirates National Oil Company (ENOC) and its subsidiaries (collectively referred to as the "ENOC Group"), engaged in oil and gas activities, is dependent upon the future cash flows of the ENOC Group's upstream operations and its estimation of oil and gas reserves.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

e) Valuation of production and development assets (continued)

Management's assessment of the impairment of the ENOC Group's development and production assets, through their value in use model, involves significant judgments, which include:

- Long term oil and gas price outlook beyond five years;
- The estimation of oil and natural gas reserves at the year-end;
- Construction of a Gas Treatment Plant ("GTP"); and
- Discount factor used.

The outcome of the impairment assessment might have a significant impact on the financial performance of the Group. Therefore, we have considered this matter as a key audit matter.

The ENOC Group engages professionally qualified external independent petroleum engineers to estimate the oil and nature gas reserves.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The competence and objectivity of the external independent petroleum engineers engaged by the management was assessed and their terms of engagement were read to check that they were appropriately qualified to carry out the estimation of oil and gas reserves and to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work.

- The long-term oil and gas price outlook was assessed, which included both long-term and short-term assumptions of oil and gas prices. The short-term price assumptions used by the management were compared to the market forward curves.

- The plan for the construction of GTP was assessed.

- Verified the mathematical accuracy of the value-in-use model prepared by the management and the reserves incorporated in the model were agreed with the report submitted by the external independent petroleum engineers.

- Discussions were held with the external independent petroleum engineers engaged by ENOC Group to discuss the results of their work. The valuation process, the definitions and the guidelines used, and significant changes to the estimated reserves from the prior year was discussed and evaluated.

- The sensitivity analysis of cash flows underlying the net present value calculation was reviewed.

- The adequacy of the disclosures in the consolidated financial statements was also assessed.

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

e) Valuation of production and development assets (continued)

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to valuation of production and development assets, note 2.5 which contains the disclosure of significant accounting judgments and estimates relating to production and development assets and note 10 for the oil and gas interests of the Group.

f) Valuation of aircraft held for lease

The Group's component, Dubai Aerospace Enterprises (DAE) Limited and its subsidiaries ("DAE Group"), is engaged in providing aircraft on leases. DAE has undertaken an impairment review, by comparing the carrying value of aircraft to their estimated recoverable value, which is the higher of fair value less costs to sell or value in use.

In order to assess fair value less cost to sell, the management obtained aircraft valuations from external aviation consultancies and considered the average of these valuations.

In order to assess value in use, the management prepared a discounted cash flow forecast that contains significant judgement and assumptions. The key assumptions and judgments adopted are:

- The discount rate applied to forecasted cash flows;
- Estimates relating to the period between lease rentals and the value of future, non-contracted lease rentals which are assessed against rates published by external aviation consultancies; and
- Assumed resale value at the end of the aircraft's lease life.

We consider this as a key audit matter because of the level of management's judgment required and the sensitivity of the impairment assessment to key assumptions.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The impairment assessment prepared by management was obtained, together with the supporting documentation and underlying assumptions.
- The net book values of aircraft used in the impairment assessment were confirmed with the fixed asset register and the mathematical accuracy of the overall calculation was ensured within the impairment assessment.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF
INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

f) Valuation of aircraft held for lease (continued)

How key audit matter has been addressed (continued)

The risks outlined above were addressed as follows: (continued)

- The market values used by management were directly confirmed with external aviation consultancies on a sample basis. The independent external valuer's competence, capabilities and objectivity were evaluated.
- The mathematical accuracy of the value in use calculations, prepared by management, was tested.
- The contractual lease rentals assumed within DAE management's model were compared to lease contracts currently in place.
- The reasonableness of estimates relating to the period between lease rentals and anticipated values of future non-contracted rentals, were corroborated with senior operational personnel of DAE.
- The end of aircraft lease life valuation was confirmed by reference to reports issued by external aviation consultancies.
- Internal valuation specialists were involved to validate that the discount rate adopted was appropriate.
- The potential impact of reasonably possible downside changes in these key assumptions were considered and sensitivity analysis was performed to assess the financial impact of changes in key assumptions.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to property, plant and equipment (which includes aircraft held for lease), note 2.5 which contains the disclosure of significant accounting judgments and estimates relating to impairment of property, plant and equipment (which includes aircraft held for lease) and note 10 which contains the details of property, plant and equipment (which includes aircraft held for lease).

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

g) Accounting for frequent flyer programme

Emirates operates a frequent flyer programme ("Skywards") in order to encourage and incentivise loyalty from its customers. Skywards members earn Skywards miles either after a flight has been paid for and flown or from Skywards partners who purchase miles from Emirates to issue to their customers. Skywards miles can be redeemed for reductions in airfares as well as being used towards free flights, cabin class upgrades and other non-airline rewards.

The fair value of unused miles issued to Skywards members when flights are flown, and the consideration received for miles issued to Skywards members from sales to partners is recognised in the consolidated statement of financial position as deferred revenue. Revenue is recognised in the consolidated income statement when the miles are redeemed by a customer and the underlying performance obligation relating to the redeemed miles is fulfilled.

The fair value per mile is based on a relative standalone selling price calculated using a model incorporating a number of factors including historical sector average fares, historical fares for upgrades, ticket and upgrade availability and redemption patterns. An estimate is also made of the number of miles that will expire based on historical expiry patterns and known future changes to the Skywards programme.

We consider this as a key audit matter because of the significant level of judgement exercised by the management of Emirates in determining the underlying assumptions within the model.

How key audit matter has been addressed:

The Emirates' model supporting the calculation of Skywards deferred revenue was tested as follows:

- The process and the related control by which deferred revenue is calculated were understood.

- The automated controls and key interfaces between the IT systems used to initially accrue and subsequently redeem the Skywards miles for each member were tested.

- Skywards miles issued and redeemed during the year, and the closing miles balance in the model were reconciled to the underlying IT systems.

- Mathematical accuracy of the model were tested.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

g) Accounting for frequent flyer programme (continued)
How key audit matter has been addressed (continued):

- The key assumptions within the model were tested including agreeing historical expiry trends supporting the expiry percentage and agreeing historical sector average fares and historical fares for upgrades to underlying reports, discussing anticipated future changes to the Skywards programme that may impact expiry trends with appropriate senior management of Emirates, testing ticket and upgrade availability to internal supporting evidence.

- A sensitivity analysis was performed on the key assumptions and variables used in the model.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to frequent flyer programme and note 2.5 which contains the disclosure of significant accounting judgments and estimates relating to the frequent flyer programme.

h) Provision for aircraft return conditions
Emirates operates a significant number of aircraft under operating lease arrangements.

Under the terms of the operating lease arrangements with the lessors, Emirates is contractually committed either to return the aircraft and/or engines in a certain condition or to compensate the lessor based on the actual condition of the aircraft and/or engines at the date of return. Accordingly, a provision for the cost associated with these return conditions is recorded during the lease term.

The provision is calculated using a model, which incorporates a number of assumptions, requiring significant judgment.

We consider this as a key audit matter due to the significant level of judgement exercised by the management of Emirates in determining the underlying assumptions within the model.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

h) Provision for aircraft return conditions (continued)

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The aircraft return provision model prepared by the management of Emirates was obtained, together with a summary of the underlying assumptions.

- The completeness of the provision was tested by checking that all significant return condition obligations included in aircraft operating lease contract were included in the model.

- The mathematical accuracy of the calculation was tested.

- The following key assumptions were discussed and corroborated with the senior engineering personnel of Emirates:
  - the past and expected future utilisation and maintenance patterns of the aircraft;
  - the expected cost of each maintenance event at the time it is expected to occur; and
  - the discount rate applied to the future liability.

- The historical utilisation was compared to flying records and future utilisation assumptions were considered in light of past experience. Assumed maintenance costs were assessed against historical actual costs incurred and existing long-term maintenance agreements. Future maintenance patterns were assessed against internal maintenance plans. The discount rate applied by the management of Emirates to the future liability was checked to ensure that it is within an acceptable range with reference to the time value of money applicable to Emirates and the risks specific to the liability.

- Along with performing sensitivity analysis on reasonably possible changes in assumptions, provisions held for aircraft and engines returned during the year were also compared to the compensation paid out to the lessors or actual costs incurred to establish if past provisions were reasonable.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to provision for aircraft return conditions and note 2.5 which contains the disclosure of significant accounting estimates relating to provision for aircraft return conditions.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

i) Lease classification and the related lease accounting

Emirates operates aircraft under both finance and operating lease arrangements and during the current year entered into sale and leaseback transactions on new aircraft deliveries.

In determining the appropriate lease classification, *IAS 17 – 'Leases'* is applied by Emirates and the substance of the transaction rather than just the legal form is considered. Profits or losses on sale and leaseback transactions are either recognised immediately or deferred in accordance with the finance and operating leases accounting policy set out in note 2.4 to the consolidated financial statements.

We consider this as a key audit matter because of the accounting implications for leases including the presentation within the consolidated financial statements, are substantially different depending on the classification determined, and because of the inherent level of management's judgement within the assessment of lease classification and accounting for sale and leaseback transaction, together with the materiality of the related balances.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The management's assessment of lease classification under IFRS were evaluated to determine whether a lease is considered to be finance or operating in nature.

- The lease agreements for aircraft deliveries during the year were examined to identify:
  - whether the lease transfers ownership of the aircraft to Emirates by the end of the lease term;
  - whether Emirates has the option to purchase the aircraft at a price that is sufficiently lower than the fair value on exercise date; and
  - whether the lease term is for the major part of the economic life of the aircraft.

- Independent calculations were undertaken to assess whether the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset.

- In the case of sale and lease back transactions on new aircraft resulting in an operating lease, the fair values of aircraft were compared to the purchase price and the profit or loss recalculated on these transactions. It was considered whether the management of Emirates has appropriately accounted for the profit or loss arising on these transactions.

- The related disclosures in the consolidated financial statements were tested to check consistency with the disclosure requirements of IFRS.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to leases and note 2.5, which contains the disclosure of significant accounting judgment relating to classification of operating/finance leases.

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

j) Impairment of refinery plant

During the year, ENOC has commenced to procure condensate for the operation of its refinery from alternative sources due to changes in business environment, which has resulted in changes in economics in refinery operations. Management has identified this as a possible impairment indicator and has performed an impairment assessment on the refinery based on the value in use, using the discounted cash flow calculation.

This model uses several key assumptions which include future volumes, prices, margins and weighted average cost of capital (discount rate).

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- Assessed management's determination that the refinery was a separate CGU based on understanding of the nature of ENOC's business.
- Reviewed management's assessment of whether indicators of impairment exist for the refinery.
- Obtained recoverable value calculation from management for the refinery and assessed the appropriateness of the methodology applied in preparing this recoverable value calculation.
- Tested the recoverable value calculation for accuracy, performed sensitivity analysis on significant assumptions, and challenged the appropriateness of the key assumptions as compared with external/independent sources.
- Involved valuation specialists to assist the audit team in challenging and assessing the appropriateness of the key assumptions used in the calculation.
- Compared the calculated recoverable amount to the associated carrying value, assessing whether any impairment charges were necessary.

Refer to note 10 which includes details of the impairment assessment exercise carried out for the refinery plant.

Responsibilities of the management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Responsibilities of the management and those charged with governance for the consolidated financial statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Ernst & Young

Signed by:
Joe Murphy
Partner
Registration No. 492

16 May 2019

Dubai, United Arab Emirate

	Notes	***2018 AED'000***	*2017 AED'000*
Revenues	37	**232,434,776**	200,930,601
Cost of revenues		**(195,475,149)**	(162,466,001)
		36,959,627	38,464,600
Other income	3	**5,336,163**	5,102,344
Net gain / (loss) from derivative instruments		**1,009,152**	(412,286)
General, administrative and other expenses		**(19,860,064)**	(17,833,237)
Net impairment losses on financial assets	4	**(2,080,467)**	(2,229,650)
Other finance income	5	**2,154,278**	1,683,510
Other finance costs	6	**(5,967,870)**	(4,647,861)
Share of results of associates and joint ventures - net	14	**4,727,224**	5,059,384
PROFIT FOR THE YEAR BEFORE INCOME TAX	37	**22,278,043**	25,186,804
Income tax expense - net	7	**(886,958)**	(544,467)
PROFIT FOR THE YEAR	8	**21,391,085**	24,642,337
Attributable to:			
The equity holder of ICD		**16,252,292**	20,239,400
Non-controlling interests		**5,138,793**	4,402,937
		21,391,085	24,642,337

	Notes	***2018*** *AED'000*	*2017* *AED'000*
PROFIT FOR THE YEAR		**21,391,085**	24,642,337
Other comprehensive income			
Items that may be reclassified to consolidated income statement in subsequent periods:			
Net movement in fair value of available-for-sale investments		**-**	(218,814)
Net movement in fair value of debt instruments measured at fair value through other comprehensive income ("FVOCI")		**(38,931)**	-
Net movement in fair value of cash flow hedges		**(20,517)**	360,534
Net movement in cost of hedging		**(16,703)**	-
Foreign currency translation differences - net		**(247,479)**	246,015
Group's share in other comprehensive (loss) / gain of equity accounted investees	14	**(399,482)**	358,454
Items not to be reclassified to consolidated income statement in subsequent periods:			
Net movement in fair value of equity instruments measured at FVOCI		**(885,157)**	-
Actuarial gain / (loss) on defined benefit plans	26	**52,593**	(36,007)
Group's share in other comprehensive (loss) / gain of equity accounted investees	14	**(141,762)**	21,791
Other comprehensive (loss) / income for the year		**(1,697,438)**	731,973
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**19,693,647**	25,374,310
Attributable to:			
The equity holder of ICD		**14,680,253**	20,918,782
Non-controlling interests		**5,013,394**	4,455,528
		19,693,647	25,374,310

	Notes	***2018*** ***AED'000***	*2017* *AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**179,176,581**	172,924,480
Intangible assets	11	**26,432,579**	26,416,408
Investment properties	12	**19,780,074**	16,659,973
Development properties	13	**2,536,527**	1,222,414
Investments in associates and joint ventures	14	**52,993,913**	47,302,127
Investment securities	15	**24,432,482**	23,545,069
Other non-current assets	16	**16,083,257**	21,844,909
Islamic financing and investment products	19	**24,016,824**	27,795,434
Loans and receivables	20	**91,576,692**	90,545,706
Cash and deposits with banks	21	**2,746,014**	1,721,688
Positive fair value of derivatives	28	**2,298,225**	1,966,517
Deferred tax assets	7	**227,815**	176,350
		442,300,983	432,121,075
Current assets			
Investment securities	15	**5,122,734**	5,752,037
Inventories	17	**11,329,371**	11,085,275
Trade and other receivables	18	**34,848,080**	35,852,720
Islamic financing and investment products	19	**44,017,938**	34,970,602
Loans and receivables	20	**182,636,563**	164,951,227
Cash and deposits with banks	21	**147,292,922**	152,184,286
Positive fair value of derivatives	28	**2,027,505**	1,223,566
Customer acceptances		**7,736,164**	6,111,947
		435,011,277	412,131,660
Assets classified as held for sale	22	**1,915,057**	41,167
		436,926,334	412,172,827
TOTAL ASSETS		**879,227,317**	844,293,902

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2018

	Notes	***2018*** ***AED'000***	*2017* *AED'000*
EQUITY AND LIABILITIES			
Equity attributable to the equity holder of ICD			
Capital	23	**64,569,417**	64,530,179
Retained earnings		**124,633,708**	111,737,007
Other reserves	25	**8,454,487**	13,735,628
		197,657,612	190,002,814
Non-controlling interests	33	**40,109,905**	37,469,258
Total equity		**237,767,517**	227,472,072
Non-current liabilities			
Employees' end of service benefits	26	**3,901,593**	3,610,298
Borrowings and lease liabilities	27	**162,368,999**	156,165,743
Negative fair value of derivatives	28	**2,016,038**	1,668,404
Other non-current payables	29	**12,383,581**	13,105,776
Customer deposits	31	**9,299,577**	7,576,160
Islamic customer deposits	32	**438,635**	56,216
Deferred tax liabilities	7	**1,840,725**	1,558,365
		192,249,148	183,740,962
Current liabilities			
Employees' end of service benefits	26	**14,139**	16,451
Borrowings and lease liabilities	27	**53,083,439**	61,435,936
Negative fair value of derivatives	28	**1,880,089**	1,116,554
Trade and other payables	30	**62,993,776**	59,684,461
Customer deposits	31	**270,160,082**	247,255,273
Islamic customer deposits	32	**52,422,284**	57,047,294
Current income tax liabilities		**476,383**	400,284
Customer acceptances		**7,736,164**	6,111,947
		448,766,356	433,068,200
Liabilities related to assets classified as held for sale	22	**444,296**	12,668
		449,210,652	433,080,868
Total liabilities		**641,459,800**	616,821,830
TOTAL EQUITY AND LIABILITIES		**879,227,317**	844,293,902

Director

Director

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

	Notes	***2018*** ***AED'000***	*2017* *AED'000*
OPERATING ACTIVITIES			
Profit before income tax		**22,278,043**	25,186,804
Adjustments for:			
Depreciation and impairment on property, plant and equipment, investment properties and development properties	8	**16,012,186**	14,268,246
Amortisation and impairment of intangible assets and release of advance lease rental	8	**1,591,645**	1,454,647
Impairment loss on investment securities	4	**16,442**	27,224
Impairment loss on Islamic financing and investment products – net of recoveries	4	**564,839**	574,927
Impairment loss on loans and receivables – net of recoveries	4	**1,595,748**	1,704,447
Reversal of impairment loss on cash and deposits with banks - net	4	**(3,136)**	-
Impairment loss on trade and other receivables – net of recoveries	4	**240,072**	66,383
Allowance for / (reversal of) impairment loss on other non-current assets – net of recoveries	4	**10,020**	(3,720)
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	3	**(534,039)**	(488,539)
Net change in fair value of investment securities measured / held at FVTPL	3	**309,169**	(144,004)
Net gain on disposal of investment in subsidiaries, associates and joint ventures	3	**(771,427)**	(58,372)
Provision for / (reversal of) write down of slow moving inventories		**1,181,263**	(4,446)
Other finance income	5	**(2,154,278)**	(1,683,510)
Other finance costs	6	**5,967,870**	4,647,861
Share of results of associates and joint ventures - net	14	**(4,727,224)**	(5,059,384)
Provision for employees' end of service benefits	26	**1,406,782**	1,311,969
Net gain on sale of investment securities	3	**(11,828)**	(255,538)
Net (gain) / loss on disposal of assets and liabilities classified as held for sale	3	**(120,569)**	55,099
Unrealised (gain) / loss on derivatives		**(1,074,394)**	466,064
		41,777,184	42,066,158
Changes in:			
Inventories - net		**(1,336,272)**	(1,488,846)
Trade and other receivables		**1,796,238**	(1,111,764)
Trade and other payables		**2,388,582**	5,853,501
Loans and receivables (banking operations)		**(21,051,857)**	(18,799,222)
Statutory deposits (banking operations)		**(153,286)**	(2,505,361)
Deposits with banks with original maturity over three months (banking operations)		**(19,399,588)**	(2,125,224)
Customer deposits including Islamic customer deposits (banking operations)		**20,385,635**	17,057,325
Due to banks with original maturity over three months (banking operations)		**362,295**	(349,055)
Fair value of derivatives - net		**1,040,111**	(910,816)
Islamic financing and investment products with original maturity over three months (banking operations)		**(3,392,808)**	1,511,785
Other non-current assets		**3,085,640**	159,524
Other non-current payables		**(722,195)**	(375,609)
Net cash generated from operations		**24,779,679**	38,982,396

	Notes	***2018*** ***AED'000***	*2017* *AED'000*
OPERATING ACTIVITIES (continued)			
Employees' end of service benefits paid	26	**(1,112,552)**	(1,029,246)
Income tax paid		**(565,011)**	(498,004)
Exchange translation reserve and other movements		**(199,410)**	(234,509)
Net cash generated from operating activities		**22,902,706**	37,220,637
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		**(23,837,178)**	(18,627,021)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties, development properties and sale and leaseback of aircraft		**3,476,308**	2,292,479
Acquisition of additional non-controlling interest in direct subsidiaries		**(599,760)**	(887,145)
Acquisition of subsidiaries – net of cash acquired		**(561,472)**	(6,899,975)
Other finance income received		**1,418,081**	1,464,931
Proceeds from disposal of assets and liabilities classified as held for sale		**2,867,617**	1,518,333
Proceeds from disposal of investments in associates		**1,050,219**	269,244
Net of other movements in investment securities		**(1,599,768)**	(4,753,931)
Investment in associates and joint ventures		**(1,821,587)**	(225,918)
Dividend from associates and joint ventures	14	**2,532,299**	1,773,666
Net movement in deposits with banks with original maturity over three months (non-banking operations)		**6,187,615**	185,721
Net movement in Islamic financing and investment products with original maturity over three months (non-banking operations)		**(3,195,601)**	(103,740)
Net cash used in investing activities		**(14,083,227)**	(23,993,356)
FINANCING ACTIVITIES			
Interest on Tier 1 Capital Notes issued by the banking subsidiary		**(595,284)**	(589,813)
Capital contribution by the Government of Dubai (the "Government")	23	**19,381**	-
Distributions paid to the Government		**(6,169,838)**	(4,284,594)
Net movement in borrowings and lease liabilities		**(12,702,193)**	1,617,373
Other finance costs paid		**(5,196,635)**	(4,600,005)
Dividend paid to the non-controlling interests		**(1,291,958)**	(1,228,880)
Purchase of own shares by a direct subsidiary		**-**	(312,375)
Net cash used in financing activities		**(25,936,527)**	(9,398,294)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(17,117,048)**	3,828,987
Cash and cash equivalents at the beginning of the year		**58,323,186**	54,494,199
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	**41,206,138**	58,323,186

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 23)	***Retained earnings AED'000***	***Other reserves AED'000 (see note 25)***	***Total AED'000***	***Non-controlling interests AED'000***	***Total equity AED'000***
Balance at 1 January 2018	64,530,179	111,737,007	13,735,628	190,002,814	37,469,258	227,472,072
Impact on adoption of IFRS 9	-	2,016,600	(3,800,560)	(1,783,960)	(1,023,433)	(2,807,393)
Impact on adoption of IFRS 15	-	1,880,848	(222,186)	1,658,662	(224)	1,658,438
Restated balance at 1 January 2018	64,530,179	115,634,455	9,712,882	189,877,516	36,445,601	226,323,117
Profit for the year	-	16,252,292	-	16,252,292	5,138,793	21,391,085
Other comprehensive (loss) / income for the year	-	74,769	(1,646,808)	(1,572,039)	(125,399)	(1,697,438)
Total comprehensive income for the year	**-**	**16,327,061**	**(1,646,808)**	**14,680,253**	**5,013,394**	**19,693,647**
Contribution from the Government (see note 23)	1,219,481	-	-	1,219,481	-	1,219,481
Return of Capital to the Government (see note 23)	(1,180,243)	-	-	(1,180,243)	-	(1,180,243)
Distributions to the Government (see note 24)	-	(6,171,122)	-	(6,171,122)	-	(6,171,122)
Dividend paid to non-controlling interests	-	-	-	-	(1,291,958)	(1,291,958)
Interest on Tier 1 capital notes	-	-	-	-	(595,284)	(595,284)
Transfers (see note 25)	-	(248,457)	248,457	-	-	-
Arising on acquisition of subsidiaries	-	-	-	-	56,960	56,960
Change in Group's ownership in existing subsidiaries	-	(270,173)	(5,527)	(275,700)	(313,171)	(588,871)
Increase in non-controlling interests	-	-	-	-	827,898	827,898
Transfers upon disposal of equity instruments measured at FVOCI	-	(132,614)	132,614	-	-	-
Other movements	-	(505,442)	12,869	(492,573)	(33,535)	(526,108)
Balance at 31 December 2018	**64,569,417**	**124,633,708**	**8,454,487**	**197,657,612**	**40,109,905**	**237,767,517**

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 23)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 25)*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2017	65,329,584	95,267,939	13,064,671	173,662,194	35,717,848	209,380,042
Profit for the year	-	20,239,400	-	20,239,400	4,402,937	24,642,337
Other comprehensive (loss) / income for the year	-	(20,318)	699,700	679,382	52,591	731,973
Total comprehensive income for the year	-	20,219,082	699,700	20,918,782	4,455,528	25,374,310
Contribution from the Government (see note 23)	784,480	-	-	784,480	-	784,480
Return of Capital to the Government (see note 23)	(1,583,885)	-	-	(1,583,885)	-	(1,583,885)
Distributions paid to the Government (see note 24)	-	(4,284,594)	-	(4,284,594)	-	(4,284,594)
Dividend paid to non-controlling interests	-	-	-	-	(1,228,880)	(1,228,880)
Interest on Tier 1 capital notes	-	-	-	-	(589,813)	(589,813)
Transfers (see note 25)	-	(250,863)	271,212	20,349	(20,349)	-
Arising on acquisition of subsidiaries	-	-	-	-	44,392	44,392
Change in Group's ownership of existing subsidiaries	-	212,754	(1,305)	211,449	(1,098,401)	(886,952)
Increase in non-controlling interests	-	-	-	-	65,434	65,434
Change in Group's ownership in a subsidiary of an associate (see note 14(c))	-	1,040,424	-	1,040,424	-	1,040,424
Other movements	-	(467,735)	(298,650)	(766,385)	123,499	(642,886)
Balance at 31 December 2017	64,530,179	111,737,007	13,735,628	190,002,814	37,469,258	227,472,072

1 ACTIVITIES

Investment Corporation of Dubai ("ICD"), an entity wholly owned by the Government, was established in Dubai on 3 May 2006 under Emiri Decree 11 of 2006 issued by H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of United Arab Emirates ("UAE") and The Ruler of Dubai.

ICD is a principal investment arm of the Government and was capitalised with the subsequent transfer of certain of the Government's portfolio of investments from the Department of Finance-Investments Division. ICD's role is to supervise the Government's investment portfolio, adding value through the implementation of best practice corporate governance and embracing a global investment strategy.

The address of ICD's registered office is PO Box 333888, Dubai, United Arab Emirates.

The consolidated financial statements of ICD and its subsidiaries (together referred to as the "Group") have been approved by the Board of Directors on 16 May 2019.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

a) Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

b) Basis of measurement
These consolidated financial statements are prepared under the historical cost convention except for the measurement of:

- Fair value of available-for-sale investments (before 1 January 2018);
- Financial assets measured at FVTPL;
- Financial assets measured at FVOCI (applicable from 1 January 2018);
- Derivative financial instruments; and
- Recognised assets and liabilities that are hedged and measured at fair value in respect of the risk that is hedged.

c) Functional and presentation currency
The consolidated financial statements are prepared in United Arab Emirates Dirham ("AED"). The functional currency of ICD and a majority of its subsidiaries is AED. Certain subsidiaries have functional currencies other than AED. Their balances have been translated into AED for the purpose of preparing these consolidated financial statements.

Numbers have been rounded to the nearest thousand dirham ("AED'000") except when otherwise indicated.

d) Comparative information
Certain comparative figures have been reclassified, either to conform to the current year's classification, for better presentation of the consolidated financial statements, or in accordance with the relevant requirement of IFRS with no change to the total equity or profit for the year ended 31 December 2017.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous year, except for the adoption of new standards, amendments to the existing standards and interpretations effective as of 1 January 2018, as explained below. Apart from the adoption of the below mentioned standards, the application of the other new and revised IFRS effective as of 1 January 2018 did not have any material impact on the Group's consolidated financials. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

a) *IFRS 15: Revenue from Contracts with Customers*

The Group has adopted IFRS 15 on the date of initial application i.e. 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition.

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes the existing revenue guidance, found across several standards and interpretations within IFRS and International Accounting Standards ("IAS"). It establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised when (or as) a performance obligation is satisfied i.e., when 'control' of the goods or services underlying the performance obligation is transferred to the customer. A customer obtains control when it has the ability to direct the use of and obtain substantially all of the benefits from the goods or services. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer (excluding amounts collected on behalf of third parties).

The Group has adopted IFRS 15 using the cumulative method i.e., by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018 (see notes 2.2.1 and 2.2.2). Therefore, the comparative information has not been restated and continues to be reported under the old accounting standards.

The significant changes in the Group's accounting policies upon adoption of IFRS 15 are:

Revenue recognition - sale of real estate properties

Under old accounting standards, revenue was recognised only when significant risks and rewards of ownership of real estate had been transferred to the buyer. However, under IFRS 15, when any of the criteria for recognising revenue over the period of time is met, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. This is measured as the proportion of contract costs incurred for work performed to date over the estimated total contract costs. Variations in contract work are included to the extent that it is probable that the customer will approve such variations.

b) *IFRS 9: Financial Instruments*

The Group has adopted IFRS 9 on the date of initial application i.e. 1 January 2018. As a result, the Group has changed its accounting policy for classification and measurement of financial instruments, impairment of financial assets and hedging. Until 31 December 2017, the Group applied the provisions of IAS 39: Financial instruments: Recognition and Measurement to account for its financial instruments.

As permitted by transitional provisions of IFRS 9, the Group elected not to restate its comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition, were recognised in opening retained earnings and other reserves of the current period (see notes 2.2.1 and 2.2.2).

The significant changes in the Group's accounting policies upon adoption of IFRS 9 are:

Classification of financial assets

The new standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The IFRS 9 classification of a financial asset is generally dependent on the business model under which the financial asset is managed, as well as on its contractual cash flows characteristics. Also, under IFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are never bifurcated. Instead the whole hybrid instrument is assessed for classification.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model followed under IAS 39 with a forward looking 'expected credit losses' ('ECL') model. The new impairment model also applies to certain financial guarantee contracts and other commitments but not to equity investments.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

b) *IFRS 9: Financial Instruments (continued)*

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period when which the Group changes its business model for managing such financial assets.

Derecognition of financial assets

From 1 January 2018, any cumulative gain or loss recognised in the consolidated statement of other comprehensive income in respect of an equity instrument designated as FVOCI is transferred to retained earnings upon derecognition.

Derivative financial instruments and hedging

IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management practices. The new model no longer specifies quantitative measures for hedge effectiveness testing and does not permit voluntary hedge de-designation. As a result, the 80-125% range under IAS 39 is replaced by an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of Group's credit risk on that economic relationship.

IFRS 9 also introduces the concept of rebalancing of hedging relationships, whereby, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Group may adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

At the date of initial application of IFRS 9, all of the Group's existing designated hedges met the IFRS 9 requirements and are thus treated as continuing hedges.

c) *IFRS 7 Financial Instruments: Disclosures*

IFRS 7 disclosures were updated to reflect the differences between IFRS 9 and IAS 39, and are adopted by the Group together with IFRS 9, for the period beginning 1 January 2018.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 Impact on transition of IFRS 9 and IFRS 15 on equity:

	Before adoption of IFRS 9 and IFRS 15 (31 December 2017)			After adoption of IFRS 9 and 15 (1 January 2018)				
						Classification under IFRS 9		
	Classification		*Original carrying value*	*Impact on transition (see 2.2.2)*	*New carrying value*	*Amortised cost*	*FVOCI*	*FVTPL*
Financial assets								
Investment securities at fair value	FVTPL		4,658,926	-	5,604,626	-	-	5,604,626
Investment securities at fair value	Available-for-sale investments		22,682,003	17,164	9,711,230	-	6,583,459	3,127,771
Investment securities at amortised cost	Held-to-maturity investments		1,956,177	(14,380)	13,984,034	13,913,757	3,951	66,326
Investment securities			29,297,106	2,784	29,299,890	13,913,757	6,587,410	8,798,723
Islamic financing and investment products	Loans and receivables		62,766,036	(1,406,500)	61,359,536	61,359,536	-	-
Loans and receivables	Loans and receivables		255,496,933	(739,787)	254,757,146	254,757,146	-	-
Cash and deposits with banks	Loans and receivables		153,905,974	(177,698)	153,728,276	153,728,276	-	-
Trade and other receivables	Loans and receivables		29,294,248	(142,191)	29,152,057	29,152,057	-	-
Positive fair value of derivatives	Derivative Instruments		3,190,083	(9,805)	3,180,278	-	-	3,180,278
		(A)	**533,950,380**	**(2,473,197)**	**531,477,183**	**512,910,772**	**6,587,410**	**11,979,001**
Other assets								
Investments in associates and joint ventures	-	**(B)**	**47,302,127**	**1,367,610**	**48,669,737**	-	-	-
Financial liabilities								
Trade and other payables	Amortised cost	**(C)**	**(42,587,319)**	**(43,368)**	**(42,630,687)**	**(42,630,687)**	-	-
Total		**[(A)+(B)+(C)]**	**538,665,188**	**(1,148,955)**	**537,516,233**	**470,280,085**	**6,587,410**	**11,979,001**
Equity attributable to equity holder of ICD								
Retained earnings	-		111,737,007	3,897,448	115,634,455	-	-	-
Cumulative changes in fair value	-		2,741,434	(3,652,836)	(911,402)	-	-	-
Hedge reserve	-		(951,207)	(39,396)	(990,603)	-	-	-
Translation reserve	-		(1,715,096)	(222,186)	(1,937,282)	-	-	-
Legal and statutory reserve	-		2,983,799	(108,328)	2,875,471	-	-	-
		(D)	**114,795,937**	**(125,298)**	**114,670,639**	**-**	**-**	**-**
Non-controlling interest	-	**(E)**	**37,469,258**	**(1,023,657)**	**36,445,601**	**-**	**-**	**-**
Total		**[(D)+(E)]**	**152,265,195**	**(1,148,955)**	**151,116,240**	**-**	**-**	**-**

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.2 The following table shows the impact on transition under IFRS 9 and IFRS 15 on 1 January 2018:

		IFRS 9					IFRS 15			
		Retained earnings ECL / re-measurement impact	*Retained earnings re-classification impact*	*Cumulative changes in fair value re-classification / re-measurement impact*	*Hedge reserve*	*Legal and statutory reserve*	*Retained earnings*	*Translation reserve*	*Non-controlling interests*	*Impact on transition*
Financial assets										
Investment securities										
- Held-to-maturity investments		(624)	-	(8,319)	-	-	-	-	(5,437)	(14,380)
- Available-for-sale investments		80,128	3,418,069	(3,488,692)	-	-	-	-	7,659	17,164
Islamic financing and investment products		(784,312)	-	-	-	-	-	-	(622,188)	(1,406,500)
Loans and receivables		(412,505)	-	-	-	-	-	-	(327,282)	(739,787)
Cash and deposits with banks		(109,310)	-	-	-	-	-	-	(68,388)	(177,698)
Trade and other receivables		(138,508)	-	-	-	-	-	-	(3,683)	(142,191)
Positive fair value of derivatives		(18,292)	-	12,825	-	-	-	-	(4,338)	(9,805)
	(A)	(1,383,423)	3,418,069	(3,484,186)	-	-	-	-	(1,023,657)	(2,473,197)
Other assets										
Investments in associates and joint ventures	**(B)**	(226,092)	208,046	(168,650)	(39,396)	(108,328)	1,924,216	(222,186)	-	1,367,610
Financial liabilities										
Trade and other payables	**(C)**	-	-	-	-	-	(43,368)	-	-	(43,368)
Total impact on adoption of IFRS 9 and IFRS 15	**[(A)+(B)+(C)]**	**(1,609,515)**	**3,626,115**	**(3,652,836)**	**(39,396)**	**(108,328)**	**1,880,848**	**(222,186)**	**(1,023,657)**	**(1,148,955)**

2 ACCOUNTING POLICIES (continued)

2.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The standards, amendments and interpretations relevant to the Group that are issued, but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below.

Standard	Description	Effective date
IFRS 16, 'Leases'	The IASB issued the new standard for accounting for leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance-sheet as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to the erstwhile finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. Upon adoption of IFRS 16 on 1 January 2019, the Group's assets are estimated to increase within the range of AED 58 billion to AED 66 billion, and the Group's liabilities are estimated to increase within the range of AED 65 billion to AED 73 billion.	1 January 2019

2 ACCOUNTING POLICIES (continued)

2.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Standard	Description	Effective date
IFRIC Interpretation 23, 'Uncertainty over Income Tax Treatment'	The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation specifically addresses the following: • Whether an entity considers uncertain tax treatments separately; • The assumptions an entity makes about the examination of tax treatments by taxation authorities; • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; • How an entity considers changes in facts and circumstances. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. Upon adoption of this interpretation, no material impact is expected on the Group's consolidated financial statements.	1 January 2019
IFRS 9, 'Financial Instruments: Prepayment features with negative compensation'	The amendments clarify that a financial asset passes the 'solely payments of principal and interest on the principal amount outstanding' ("SPPI") criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Upon adoption of these amendments, no material impact is expected on the Group's consolidated financial statements.	1 January 2019
Amendments to IAS 19, 'Employee Benefits'	The amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to: • Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; • Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset). The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. Upon adoption of these amendments, no material impact is expected on the Group's consolidated financial statements.	1 January 2019

2 ACCOUNTING POLICIES (continued)

2.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Standard	Description	Effective date
Amendments to IFRS 10 and IAS 28, 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.	The IASB has deferred the effective date of these amendments indefinitely
Amendments to IAS 28 - Investments in Associates and Joint Ventures.	The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. Upon adoption of these amendments, no material impact is expected on the Group's consolidated financial statements.	1 January 2019
Annual improvements 2015-2017 cycle (issued in December 2017)	IFRS 3, "Business Combinations" The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. IFRS 11 "Joint Arrangements" A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. IAS 12 "Income Taxes" The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. IAS 23 "Borrowing Costs" The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Upon adoption of above amendments, no material impact is expected on the Group's consolidated financial statements.	1 January 2019

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of ICD and its subsidiaries. Subsidiaries are entities controlled by the Group. The list of Group's significant subsidiaries, associates and joint ventures is provided in note 38.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Special Purpose Entities (SPEs) are entities that are created to accomplish a well-defined objective for instance, the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. The above mentioned circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidated an SPE.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's existing and potential voting rights.

Certain of the Group's subsidiaries manage and administer funds on behalf of investors. The financial statements of these funds are not included in these consolidated financial statements.

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holder of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction in the consolidated statement of changes in equity.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations falling within the scope of IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as "gain on bargain purchase".

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period ends as soon as the Group receives the necessary information about facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the relevant reporting period in which the acquisition took place.

Transactions involving entities under common control

Transactions involving entities under common control where the transaction has substance are accounted for using the acquisition method. For transactions involving entities under common control where the transaction does not have any substance, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities in the books of the transferor (as adjusted for the Group accounting policies), are used to account for these transactions. No goodwill is recognised as a result of the transfer. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the net assets 'acquired' is reflected as "merger reserve" within equity.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions involving entities under common control (continued)
A number of factors are considered in assessing whether the transaction has substance including the following:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not the transaction brings entities together into a "reporting entity" that did not exist before.

Investments in joint arrangements
A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group classifies its investments in joint arrangements into one of two types – joint operations and joint ventures.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Where it undertakes its activities under a joint operation, the Group as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint ventures are those investments in distinct legal entities over which activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

The Group's investments in joint ventures are accounted for under the equity method of accounting.

Under the equity method, an investment in a joint venture is initially recognised at cost. Thereafter, the carrying amount of an investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to a joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of results of operations of the joint ventures. Where there has been a change recognised directly in the equity of joint ventures, the Group recognises its share of any changes in the consolidated statement of other comprehensive income and consolidated statement of changes in equity. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Adjustments to the numbers reported by the joint ventures to the Group are made where necessary to ensure consistency with the policies adopted by the Group.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint arrangements (continued)
Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the sum of fair value of the retained investment and the proceeds from disposal is recognised in the consolidated income statement.

When the remaining investment in joint venture retains significant influence, it is accounted for as an investment in associate. If the ownership in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

Investments in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is initially recognised at cost. Subsequently, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate from the acquisition date. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of its associates. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, where applicable, in the consolidated statement of other comprehensive income and consolidated statement of changes in equity. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group's share of results of associates is shown on the face of the consolidated income statement. This is the result attributable to equity holders of the associate and, therefore, is the result after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the Group's associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the sum of fair value of the retained investment and the proceeds from disposal is recognised in consolidated income statement. If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value; in doing so, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currency translation
The consolidated financial statements are presented in AED, which is ICD's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are recognised in the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

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. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the consolidated income statement, any exchange component of that gain or loss is also recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where the functional currency of a foreign operation is different from AED, the assets and liabilities of this subsidiary is translated into AED at the rate of exchange ruling at the reporting date and its income statement is translated at the average exchange rate for the period. Exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the cumulative amount recognised in equity relating to that particular foreign entity is recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
The Group has applied IFRS 15 with effect from 1 January 2018. As a result, the Group has applied the following accounting policy in the preparation of its consolidated financial statements.

For contracts determined to be within the scope of IFRS 15, the Group is required to apply a five-step model to determine when to recognise revenue from contracts with customers, and the amount of revenue to be recognised:

Step 1: Identify the contract(s) with a customer
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations to be met.

Step 2: Identify the performance obligations in the contract
A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract
For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation
The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time when the performance obligation is satisfied.

Principal versus Agent
When more than one party is involved in a transaction for providing the goods and services to the customer, the Group is required to determine whether it acts as a principal or an agent.

The Group acts as a principal if it controls a promised good or service before transferring it to the customer. The Group is an agent if its role is to arrange for another entity to provide the goods or services. The factors considered in making this assessment are most notably whether the Group has discretion in establishing the price for the specified good or service, whether the Group has inventory risk and whether the Group is primarily responsible for fulfilling the promise to deliver the service or good.

Where the Group is acting as a principal, revenue is recorded on a gross basis. Where the Group is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

Variable consideration
If the consideration promised in a contract includes a variable amount, then the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. Variable consideration is estimated at contract inception using either expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Significant financing component
The Group is required to assess whether its contract with customers contain a significant financing component, if the period between the customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Group adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification
A contract modification occurs when the Group and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.

The Group treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

The Group accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Group accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Fees and commission
The fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);

- Income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and

- Other fees and commission income and expense are recognised as the related services are performed or received.

If such fee income forms an integral part of the effective interest rate of a financial instrument it is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and included in ‘Interest income’.

Finance / interest income and expense
Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset (as defined below); or
- the amortised cost of the financial liability (as defined below).

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired financial assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Finance / interest income and expense (continued)
The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost
The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount using the effective interest method and, for financial assets, adjusted for any stage 3 loss allowance (explained later under "Impairment of financial assets").

Gross carrying amount
The 'gross carrying amount' of a financial asset and a financial liability is the amortised cost of the financial asset before adjusting any loss allowance and the financial liability.

Calculation of interest income and expense
In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost (as explained above) of the financial asset. If the financial asset is no longer credit-impaired, then the calculation of interest income reverts to the gross carrying amount (as explained above).

For the financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost (as explained above) of the financial asset. The calculation of interest income does not revert to a gross carrying amount (as explained above), even if the credit risk of the asset improves.

Income from Islamic financing and investment products
Islamic financing and investment products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These products are carried at amortised cost (less impairment). The main classes of Islamic investment assets are:

Murabaha
An agreement whereby the Group sells to a customer a commodity, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

The profit is quantifiable and contractually determined at the commencement of the contract. Profit is recognised as it accrues over the life of the contract using an effective profit method on the outstanding balance.

Istissna'a
An agreement between the Group and a customer whereby the Group would sell to the customer a developed property according to agreed upon specifications. The Group would develop the property either on its own or through a subcontractor and then hand it over to the customer on a fixed date at an agreed price.

Istissna'a revenue and the associated profit margin (difference between the cash price to the customer and the Group's total Istissna'a cost) are accounted for on a time proportion basis.

Ijara
An agreement, whereby the Group (lessor) leases an asset to a customer (lessee), for a specific period and against certain rent installments. Ijara can end by transferring the ownership of the asset to the lessee at the end of the agreement or substantially transferring all the risks and returns related to the ownership.

Ijara income is recognised on a time proportion basis over the period of contract.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Income from Islamic financing and investment products (continued)

Mudaraba
An agreement between two parties where one of them provides the funds and is called Rab-Ul-Mal and the other provides efforts and expertise and is called the Mudarib. The Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudaraba income. Typically, in theevent of a loss, the Rab-Ul-Mal would bear the loss of his funds while the Mudarib would bear the loss of his efforts. However, in an event of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, only the Mudarib would bear the losses. The Group may act as Mudarib when accepting funds from depositors and as Rab-Ul-Mal when investing such funds on a Mudaraba basis.

Income on Mudaraba financing is recognised on distribution by the Mudarib, whereas losses are charged to profit or loss on their declaration by the Mudarib.

Wakala
An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in the event of default, negligence or violation of any of the terms and conditions of the Wakala.

The estimated income from the Wakala is recognised on an accrual basis over the period and adjusted for any differences with the actual income when received. Losses are accounted for on the date of declaration by the agent.

Sukuk
Investment Sukuk are certificates of equal value, representing undivided shares in the ownership of tangible assets, usufruct and services or assets of particular projects or special investment activities. Sukuk represent a common share in the ownership of the assets made available for investment.

Income is accounted for on a time-apportioned basis over the terms of the Sukuk.

Exchange house trading
Trading commission fees are recognised at the time when the underlying trade has been executed.

Airline revenue
The Group's aviation activities principally generates revenue from commercial air transportation which includes passengers, baggage, cargo, in-flight services and other service like fast check-in, airport shuttle service etc.

The Group assesses whether the promises made in a contract are capable of being distinct and are also distinct within the context of the contract or not. There can be multiple performance obligations in a single transaction; for example multiple services like non-stop flight or multiple connecting/stopover flights, round trips, or ancillary services and customer loyalty programs etc.

Passenger (including excess baggage) and cargo sales are recognised as revenue when (or as) the performance obligation for transportation service is fulfilled towards its customers, and is presented net of discounts. Sales are allocated to each performance obligation based on the relative stand-alone selling price method. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the consolidated statement of financial position under trade and other payables as "passenger and cargo sales in advance". Passenger ticket related breakage is estimated based on historical trends and recognised in the consolidated income statement proportionally with each transfer of services to the customer.

Revenue from the sale of consumer goods, food and beverages and catering operations is recognised when control of goods or services are transferred to the customer and is stated net of discounts and returns.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Airport operations and Travel services
Revenue from airport operations including ground handling and cargo services is recognised on the performance of services.

Revenue from travel services includes inclusive tours and agency commission earned from the sale of third-party travel products. Where the Group acts as a principal, the total consideration received is allocated to the separate performance obligations based on relative stand-alone selling prices and revenue is recognised upon satisfaction of each performance obligation within a single contract with the customer. Where the Group acts as an agent between the service provider and the end customer, revenue is presented on a net basis.

Revenue from oil and gas products and services
Sale of goods is recognised when the Group has delivered products to the customer; the customer has accepted the products and the collectability of the related receivables is reasonably assured. Sales of crude oil arising from upstream operations exclude the share of crude oil attributable to abandonment and decommissioning barrels under the terms of Production Sharing Agreement ("PSA"). Revenue from services is recognised in the period services are provided in accordance with the respective services agreements. Where products have not been delivered or services have not been performed, but settlements have been received in advance, revenue recognition is deferred until completion of delivery of the products or performance of the services.

Lease income
Lease income from assets under operating lease (including variable rents based on a percentage of lessee's revenue) is recognised as income on a straight line basis over the term of the lease. When the Group provides incentives to its customers, the cost of incentives is recognised on a straight-line basis over the lease, as a reduction of lease income.

Construction and real estate developer revenue
Where the outcome of a performance obligation can be estimated reliably, and when one of the criteria for recognising revenue over time is met in accordance with IFRS 15, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. It is measured as the proportion of contract costs incurred for work performed to date over the estimated total contract costs. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

In applying an input method, the Group excludes the effect of any inputs that do not depict its performance in transferring control of goods or services to the customer.

If none of the criteria to recognise revenue progressively are met, then the Group recognises revenue when it transfers control of the good or service to the customer, which may not be until practical completion is reached.

Revenue related to variation orders is recognised when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured. Claims and incentive payments are recognised as contract revenue when settled or when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be reliably measured.

Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately and the contract is treated as an onerous contract.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from the customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Construction and real estate developer revenue (continued)

The policy applicable before 1 January 2018 for revenue recognition by the developer:

As per IFRIC 15, an agreement for the construction of real estate in which buyers have only limited ability to influence the design of the real estate, is an agreement for the sale of goods within the scope of IAS 18 "Revenue Recognition" and accordingly revenue shall be recognised only when significant risks and rewards of ownership of real estate in its entirety have been transferred to the buyer. Significant risks and rewards of ownership are deemed to be transferred to the buyer only when a sales contract has been signed, the buyer has been granted full access to the property and there is an unconditional commitment to transfer the title of the property.

Revenue from hospitality operations
Hotel revenue includes all the revenues received from guests of the hotels. The services rendered (including room rentals, food and beverage sales and other ancillary services) are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices and are recognised when they have been delivered or rendered.

Management fee from management contracts with third-party hotel owners are typically earned based on hotel's revenue (e.g. base fees). They may also include an incentive fee subject to performance criteria. Base fees are typically billed and collected monthly, and revenue is recognised as services are provided. Incentive management fees are billed and recognised monthly based on each property's financial results, as long as the Group does not expect a significant reversal due to projected future hotel performance or cash flows in future periods.

Exhibitions organising and event services
Revenue derived from the organisation of exhibitions and the provision of event services is recognised immediately once the exhibition or event is held or the services rendered.

Licensing Fees
The Group earns revenue from the sale of licenses, which provide the customers with the right to use of the underlying assets.

The Group identifies each of the performance obligations in a contract that includes a promise to grant a license in addition to other promised goods or services. This includes an assessment of whether the:

- customer can benefit from the license on its own or together with other resources that are readily available; and
- license is separately identifiable from other goods or services in the contract.

When a license cannot be identified distinctly, then the Group recognises revenue for the single performance obligation when (or as) the combined goods or services are transferred to the customer.

When a license is distinct from the other goods or services, then Group assesses its nature to determine whether to recognise revenue allocated to the license at a point in time or over time.

To determine whether the performance obligation is satisfied at a point in time or over time, the Group evaluates whether the nature of its promise is to provide its customer with a right to:

- access the intellectual property throughout the license period; or
- use the intellectual property as it exists at the point in time when the license is granted.

Gains and losses from derivative contracts
Gains and losses arising from the settlement of derivative contract deals during the year are recognised in the consolidated income statement. The fair value of the outstanding contracts is determined based on closing exchange rates and over the counter quotations for the underlying contracts, as well as management's best estimates which takes into consideration various factors including brokers' quotation. The resulting unrealised gains and losses are also recognised in the consolidated income statement with corresponding amounts as other assets and liabilities as the case may be.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidated damages
Income from claims for liquidated damages is recognised in the consolidated income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to a compensation for loss of income or towards incremental operating costs, the amounts are taken to the consolidated statement of financial position and recorded as a reduction in the cost of the related asset.

Dividend income
Dividend income is recognised when the Group's right to receive the payment is established.

Government grant
A Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions, if any, will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Group receives a grant of a non-monetary asset, the asset and the grant are recorded at a nominal amount.

Intangible assets (excluding goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value of intangible assets as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recorded in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates i.e. adjusted prospectively. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives as follows:

Service rights	5 - 15 years
Customer relationships, order backlog and trade names	3 - 20 years
Computer software	3 - 10 years
Contractual rights	Over the term of rights
Licenses, exclusive rights and right to use	5 - 50 years

The intangible assets include certain brands and trademarks which have an indefinite life.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Exploration and evaluation ("E&E") assets
E&E costs in respect of Group's oil and gas operations are initially capitalised within "Intangible assets'. Such E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing. Pre-license costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the consolidated income statement as they are incurred.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (excluding goodwill) (continued)

Exploration and evaluation ("E&E") assets (continued)
E&E assets related to each exploration licence/prospect are not amortised and are carried forward until the existence (or otherwise) of commercial reserves has been established or the determination process has not been completed. If commercial reserves have been discovered, the related E&E assets are assessed for impairment and any loss is recognised in the consolidated income statement. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment and are amortised as per the Group's depletion (depreciation) policy. No depletion is charged during the exploration and evaluation phase.

Tangible assets acquired for use in E&E activities are classified as property, plant and equipment. The depreciation of such tangible assets is recorded as part of the cost of E&E assets.

Research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is only recognised when both the identification and recognition criteria defined in IAS 38, Intangible Assets (listed below) are met:

- the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use;
- the Group has the intention to complete the asset and use or sell it;
- the Group has the ability to use or sell the asset;
- it is probable that the asset created will generate future economic benefits;
- adequate technical, financial and other resources are available to the Group to complete the development and to use or sell the asset; and
- the development cost of the asset can be measured reliably.

If these conditions are not met, such development expenditure is recognised as an expense in the period in which it is incurred. The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. The expenditure capitalised is from the point at which the above criteria are met up to the point at which the product is considered available for use.

Internally-generated intangible assets are amortised on a straight-line basis over their useful life. The assessment regarding the useful life of capitalised development costs is based upon several factors including typical product lifecycle for similar assets in the market. Management will assess the useful life of capitalised development projects on a case-by-case basis, when they meet the IAS 38 requirements for capitalisation.

Property, plant and equipment
Property plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses, if any. An item of property, plant and equipment should be recognized only if it is probable that future economic benefits associated with the item will flow to the Group and its cost can be measured reliably.

The costs of day-to-day servicing, such as repair and maintenance of property, plant and equipment and which largely comprises labour costs and minor parts are recognised in the consolidated income statement as incurred. However, if the expenditure involves replacing a significant part of the asset, this part should be capitalised as part of the property, plant and equipment, if the recognition criteria are met.

Land is not depreciated and is stated at cost less impairment losses, if any.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
Depreciation is calculated on a straight-line basis over the useful life of property, plant and equipment as follows:

Freehold property	14 - 60 years
Buildings (including leasehold premises) and leasehold improvements	up to 50 years
Furniture, fixture, and office equipment	2 - 20 years
Plant, machinery, equipment and vehicles	up to 40 years
Marine vessels (included under oil and gas interests)	25 years
Aircraft, aircraft engines and parts	5 - 23 years (residual value Nil - 10%)
Aircraft held for lease (given on operating leases to various operators)	Not to exceed 25 years from the date of manufacture (residual value do not exceed 15%)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When significant parts of items of property, plant and equipment are required to be replaced at regular intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Similarly, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a separate part if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Major overhaul expenditure is depreciated over the shorter of the period to the next major overhaul or lease term or useful life of the asset concerned.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Development and production assets
Development and production assets represent the cost of developing the commercial oil and gas reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets.

The Group's material development and production activities are conducted in accordance with the PSA between one of the Group's indirect subsidiaries engaged in oil and gas business, and an agency of the relevant government of the country where such development and production activities are carried out. Capital and operating costs are recovered as part of the cost recovery mechanism provided for in the PSA.

Cost of development and production assets also include licence acquisition costs, drilling, infrastructure projects and a proportion of directly attributable administrative and overhead costs.

Inventory of drilling spares is classified under property, plant and equipment and is not depleted until it is put to use as development and production assets.

Depletion of development and production assets is provided using the unit-of-production method, with reference to the ratio of the production during the period and the estimated commercial reserves of the field taking into account future development expenditures necessary to bring those reserves into production. Changes in estimates affecting the unit-of-production calculations for depletion are accounted for prospectively. Gas reserves are converted into barrels of oil equivalent based on energy conversion rate for the purpose of determining the depletion charges.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Development and production assets (continued)
At the end of each year, an assessment is made as to whether the economic value of interests is in excess of costs capitalised. Costs capitalised as depletable interests in excess of the estimated value of the Group's discounted future net revenues of its commercial reserves are impaired as additional depletion.

Commercial reserves
Commercial reserves are estimated quantities of proven and probable oil and gas reserves that available data demonstrates, with a specified degree of certainty, to be recoverable in future from known reservoirs that are considered commercially producible. The working interest of the proven and probable commercial reserves are based on a reserves report produced by an independent engineer. Reserves estimates are reviewed by the independent engineer based on significant new data or a material change with a review of the field undertaken generally every year. The Group's entitlement to the proven and probable commercial reserves are derived based on the terms of the PSA and certain assumptions made by the management in respect of estimates of oil and gas reserves, future oil and gas prices, future development costs including the cost of drilling, infrastructure facilities, signing of the gas sales agreement and other capital and operating costs.

Capital work-in-progress
Assets in the course of construction are carried at cost less accumulated impairment losses, if any.

Manufacturers' credits
Group's subsidiaries engaged in the aviation business receive credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on the nature of such credits, these credits are either recorded as a reduction to the cost of the related aircraft and engines or reduced from ongoing operating expenses. Where the aircraft are taken on operating leases, these credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease as deferred credits; any outstanding balance as at the reporting date is accounted as a liability (deferred credits) in the consolidated statement of financial position. Where the aircraft are given on operating lease, these credits are transferred to the lessees.

Aircraft held for lease
Aircraft held for lease are stated at cost less accumulated depreciation and impairment losses, if any.

The maintenance right asset presented as a component of aircraft held for lease represents the value of the difference between the contractual right under the acquired lease to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

The maintenance right asset will be amortised over the remaining useful life of the aircraft. Once the related maintenance work is performed, the unamortised amount will then be capitalised on to the aircraft. If the work is not performed, the amount will be disposed of and any related maintenance reserves will be utilised against the amount recorded in the consolidated income statement.

Major improvements to be performed by the Group pursuant to the lease agreement are accounted for as lease incentives and are amortised against revenue over the term of the lease, assuming no lease renewals. Lessee specific modifications to the aircraft are capitalised and also amortised against revenue over the term of the lease. Generally, lessees are required to provide for repairs, scheduled maintenance and overhauls during the lease term and to be compliant with return conditions of flight equipment at lease termination.

Major improvements and modifications incurred for an aircraft that is off-lease are capitalised and depreciated over the remaining life of the aircraft held for lease when these increase the future economic benefit of related aircraft. Miscellaneous repairs are expensed when incurred.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Aircraft held for lease (continued)
At the time of an aircraft acquisition, the Group evaluates whether the lease acquired with the aircraft is at fair value by comparing the contractual lease rates to the range of current lease rates of similar aircraft. A lease premium is recognised when it is determined that the acquired lease's terms are above fair value; lease discounts are recognised when it is determined that the acquired lease's terms are below fair value. Lease premiums and discounts are capitalised as a portion of the aircraft held-for-lease value and are amortised as rental revenue on a straight line basis over the lease term.

Expenditures incurred to transition an aircraft from one lessee to another due to either the lease termination or bankruptcy are expensed as incurred as aircraft transition costs.

Aircraft purchase deposits
Aircraft purchase deposits are included in capital-work-in progress and represent the progress payment, with various aircraft manufacturers.

Investment properties
Properties held for rental income and/or for capital appreciation, and/or held with undetermined future use, which are not occupied by the Group companies (properties occupied by the Group are classified under "property, plant and equipment") are classified as investment properties. The Group has adopted the cost model for accounting for its investment properties. Accordingly, investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Land is not depreciated and is stated at cost less impairment, if any.

Properties under construction are carried at cost less accumulated impairment losses, if any.

The carrying amount of an investment property includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met and it excludes the costs of day to day servicing of an investment property.

Depreciation is calculated on a straight line method to write-off the cost of investment properties over their estimated useful lives. These are estimated by management to be between 14 and 50 years.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Any amendment to the above is accounted for prospectively.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment properties to owner-occupied properties or vice versa, the deemed cost of property for subsequent accounting is its cost less accumulated depreciation and impairment at the date of change in use.

Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected. Any gain or loss arising on derecognition of investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated income statement in the year the asset is derecognised.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development properties

Properties that are being constructed or developed for future use as investment properties or property, plant and equipment, are classified as development properties and are stated at cost less impairment losses, if any, until construction or development is complete. Properties in the course of construction for sale are also classified as development properties and are stated at the lower of cost less accumulated impairment, or net realisable value.

Cost includes:

- freehold and leasehold rights for land.
- amounts paid to contractors for construction.
- borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to complete and the estimated cost of sale.

Management reviews the carrying value of development properties on an annual basis.

Upon completion of its construction or development, the property is reclassified under investment properties, property plant and equipment, or inventory property depending on its future intended use. No depreciation is charged during the development period.

Completion is defined as the earlier of the issuance of a certificate of practical completion, or when management considers the property to be completed.

With respect to real estate and development subsidiaries, the cost of land and cost incurred in the course of development relating to properties sold during the year, for which revenue is recognised, are transferred to cost of revenues.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date as to whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded in the consolidated income statement. Property, plant and equipment acquired under the finance leases (mainly aircraft) are depreciated in accordance with the Group's policy.

Operating leases are those that do not meet the definition of a finance lease. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor (excluding aircraft held for lease)
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in the consolidated income statement on a straight-line basis over the lease term.

Sale and leaseback transactions
Gains and losses arising on sale and leaseback transactions resulting in an operating lease and where the sale price is at fair value, are recognised immediately in the consolidated income statement. Where the sale price is below fair value, any losses are immediately recognised in the consolidated income statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is classified as a deferred credit and amortised over the period for which the asset is expected to be used.

When profits arise on a sale and leaseback transaction resulting in a finance lease, the excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

Lease classification is made at the inception of the lease. Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease (without renewing it) in a way that it would have been classified differently at inception had the changed terms been in effect at that time. The revised agreement is considered as a new agreement and accounted for appropriately and prospectively over the remaining term of the lease.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair values less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

An impairment loss recognised in respect of goodwill cannot be reversed. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. This increased amount cannot exceed the carrying amount that would have been determined, net of depreciation / amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

The following criteria are applied in assessing the impairment of specific assets:

Goodwill
Goodwill is reviewed by the Group for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Goodwill (continued)
Impairment is determined for goodwill by assessing the recoverable amount of the CGU to which goodwill relates. Where the recoverable amount of a CGU is less than the carrying amount of that CGU to which goodwill has been allocated plus the carrying amount of such goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment at every reporting period either individually or at the CGU, as appropriate.

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss against the carrying value of Group's investments in its associates or joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investments in associates or joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amounts of the investments in associates or joint ventures (as the case may be) and their carrying values and recognises the resultant impairment in the consolidated income statement.

Financial Instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification and measurement of financial assets and liabilities

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the consolidated income statement.

<u>The policy applicable before 1 January 2018</u>

Financial assets within the scope of IAS 39 are classified as either:

- financial assets at FVTPL;
- loans and receivables;
- held-to-maturity investments; or
- available-for-sale financial assets, as appropriate.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at FVTPL directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at FVTPL when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases 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 marketplace.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

<u>The policy applicable before 1 January 2018 (continued)</u>

i) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets may be designated at initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at FVTPL are carried at fair value and any changes in fair value are recognised in consolidated income statement.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables include trade, contracts, retentions and other receivables, originated loans, due from banks (from the Group's banking operations), deposits, Islamic financing and investments assets, syndicated loans funded on origination and other debt securities acquired (purchased) by the Group either from the issuer or another source, provided that they are not quoted in an active market. Subsequent to initial recognition such assets are carried at amortised cost using the effective interest method net of interest suspended, provisions for impairment and any amounts written off. Gains and losses are recognised in consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Subsequent to initial recognition such assets are carried at amortised cost using the effective interest method net of interest suspended, provisions for impairment and any amounts written off. Gains and losses are recognised in consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

a) Trade and other receivables

Subsequent to initial recognition, trade receivables are stated at amortised cost which is usually original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

b) Due from banks and deposits

Subsequent to initial recognition, these are stated at amortised cost less any amounts written off and provision for impairment, if any.

c) Islamic financing and investing products

The Group's Islamic financing and investing products consist of Murabaha, Mudaraba, investments under Sukuk and Wakala arrangements, Istisna'a and Ijara contracts.

Subsequent to initial recognition, all Islamic financing and investing assets are stated at amortised cost less any provisions for impairment and deferred income.

d) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

The policy applicable before 1 January 2018 (continued)

iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity. These include certain debt instruments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost (less impairment, if any).

iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with any fair value gains or losses being recognised as cumulative changes in fair value in other comprehensive income, except in case of impairment where the accumulated loss is recycled in the consolidated income statement. When the investment is disposed of, the cumulative gain or loss previously recorded in other comprehensive income / equity is recognised in the consolidated income statement.

The fair value of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Assets in this category are included in non-current assets unless management intends to dispose off the assets within twelve months of the reporting date. The assets are derecognised when rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the consolidated income statement.

The policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. Derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead the whole hybrid instrument is assessed for classification purposes.

i) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold the financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment related to these assets are recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

The policy applicable from 1 January 2018 (continued)

ii) Financial assets measured at FVOCI

a) Debt instruments

Debt instruments are measured at FVOCI where they meet both of the following conditions and are not designated as measured at FVTPL:

- the contractual cash flows are solely payments of principal and interest on the outstanding principal; and
- the objective of the Group's business model is achieved both by collecting contractual cash flows and selling the underlying financial assets.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment (including reversals) are recognised in the consolidated income statement. Other net gains and losses are recognised in the consolidated statement of OCI.

b) Equity instruments

Equity instruments are normally measured at FVTPL. However, upon initial recognition of equity instruments that are not held for trading, the Group may elect to designate them as measured as FVOCI and accordingly present subsequent changes in the fair value of the instrument in the consolidated statement of other comprehensive income. This election is irrevocable and made on an instrument-by-instrument basis.

Foreign exchange gains or losses arising on these assets are recognised in the consolidated income statement. Dividends are also recognised as income in the consolidated income statement unless the dividend clearly represents a recovery of part of the cost of the investment, in which case they are recognised in the consolidated statement of OCI.

iii) Financial assets measured at FVTPL

On initial recognition, the Group may irrevocably designate as measured at FVTPL a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL. This includes derivatives and financial assets held for trading.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows, nor held both to collect contractual cash flows and to sell financial assets.

These assets are subsequently measured at fair value and net gains or losses are recognised in the consolidated income statement.

Business model assessment

The Group entities make an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the frequency, volume and timing of trades of financial assets in prior periods, the reasons for such trades and expectations about the future trading activity. However, information about trading activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

The policy applicable from 1 January 2018 (continued)

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the outstanding principal.

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchase in the near term.

Financial liabilities may be designated at FVTPL on initial recognition, if the following criteria are met:
a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
b) they are managed within a group of financial liabilities or of financial assets and financial liabilities whose performance is evaluated on a fair value basis; or
c) the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated income statement. Any gains and losses arising from changes in own credit risk are recognised in OCI.

Financial liabilities measured at amortised cost mainly includes borrowings and lease liabilities, customer deposits, Islamic customer deposits and trade and other payables. After initial recognition, the aforementioned liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement through the effective interest method amortisation process as well as when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated income statement.

Reclassification

The policy applicable before 1 January 2018

The Group determines the classification of its financial assets at initial recognition and, where permitted and appropriate, re-evaluates this designation at each financial year-end.

Reclassifications of financial liabilities after initial recognition is not permitted.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Reclassification (continued)

The policy applicable from 1 January 2018

The Group reclassifies financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group's operations and demonstrable to external parties.

The Group determines the classification of financial liabilities on initial recognition. Their subsequent reclassification is not permitted.

Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. The difference on derecognition of the original financial asset is recognised as gain / loss in the consolidated income statement.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement.

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different, then a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and that of the new financial liability with modified terms is recognised in the consolidated income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) the rights to receive cash flows from the asset have expired; or
b) the Group retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
c) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Any gain or loss on derecognition of financial assets measured at amortised cost is recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition (continued)
Upon derecognition of debt instruments measured at FVOCI, gains or losses accumulated in the consolidated statement of other comprehensive income are reclassified to the consolidated income statement.

Any cumulative gain or loss recognised in the consolidated statement of OCI in respect of an equity instrument designated as FVOCI is reclassified to retained earnings upon derecognition.

Until 31 December 2017, such gain or loss were reclassified to the consolidated income statement

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

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

Impairment of financial assets

The policy applicable before 1 January 2018

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and advances (mainly comprised of loans and receivables related to banking operations)
Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the consolidated income statement. The carrying amount of impaired loans on the consolidated statement of financial position is reduced through the use of impairment allowance accounts.

Individually assessed loans and advances
For all loans that are considered individually significant, the Group assesses on a case-by-case basis each quarter and more frequently when circumstances require whether there is any objective evidence of impairment. The criteria used by the Group to determine that there is such objective evidence include:
- known cash flow difficulties experienced by the borrower;
- past due contractual payments of either principal or interest;
- breach of loan covenants or conditions;
- decline in the realisable value of the security;
- the probability that the borrower will enter bankruptcy or other financial realisation; and
- a significant downgrading in credit rating by an external credit rating agency.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:
- the Group’s aggregate exposure to the customer;
- the viability of the customer’s business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the likely dividend available on liquidation or bankruptcy;
- the extent of other creditors’ commitments ranking ahead of, or pari passu with, the Group and the likelihood of other creditors continuing to support the customer;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding;
- the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- when available, the secondary market price of the debt.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial asset (continued)

The policy applicable before 1 January 2018 (continued)

Individually assessed loans and advances (continued)
Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed at least quarterly and more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed loans and advances
Impairment is assessed on a collective basis in two circumstances:
- to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- for homogeneous groups of loans that are not considered individually significant.

Incurred but not yet identified impairment
Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the reporting date, which the Group is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the Group, those loans are removed from the Group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:
- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, loan grade or product);
- the estimated period between impairment occurrence and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

The period between a loss occurrence and its identification is estimated by management for each identified portfolio.

Homogeneous groups of loans and advances
Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans that are not considered individually significant, because individual loan assessment is impracticable.

Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group.

Other assets carried at amortised cost
If there is objective evidence that an impairment loss on assets carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial asset (continued)

The policy applicable before 1 January 2018 (continued)

Available-for-sale financial assets
In the case of an investment classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale investment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement is removed from OCI and recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement on available-for-sale equity instruments are not reversed through the consolidated income statement.

If in a subsequent period, the fair value of an available-for-sale debt instrument increases which can be linked objectively to an event occurring after the write down, the write-down or impairment allowance is reversed through the consolidated income statement.

The policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses ("ECLs") on the following instruments that are not measured at FVTPL:
- financial assets measured at amortised cost and debt instruments carried at FVOCI;
- lease receivable under IAS 17;
- financial guarantee contracts issued;
- loan commitments issued; and
- contract assets (as defined in IFRS 15).

No impairment loss is recognised on equity instruments that are financial assets.

The Group measures impairment allowances either using the general or the simplified approach as considered appropriate.

Under the general approach, impairment allowances are measured at an amount equal to 12-month ECL except when there has been a significant increase in credit risk since inception. In such cases, the Group measures impairment allowances at an amount equal to credit loss expected over the life of the financial asset.

Lifetime ECL: These losses are the ECL that result from all possible default events over the expected life of a financial instrument, if there is a significant increase in credit risk.

12-month ECL: These losses are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Under the simplified approach, impairment allowances are always measured at an amount equal to lifetime ECL.

For ECL under the simplified approach, the Group uses a provision matrix approach to measure the ECL mainly on trade receivables, retention receivables, contract receivables, and finance lease receivables. The estimation of ECL under the provision matrix approach is based on a historical credit loss experience adjusted for forward-looking information.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial asset (continued)

<u>The policy applicable from 1 January 2018 (continued)</u>

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired: measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired: measured as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: measured as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive upon such drawdown; and
- financial guarantee contracts: measured as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Credit losses are measured using a 'three-stage' approach based on changes in credit-quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to stage 3.
- Financial instrument in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.
- ECL is measured after factoring forward-looking information.
- ECL on purchase or originated credit-impaired financial assets is measured on a lifetime basis by the Group.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default ('PD')
- Loss Given Default ('LGD')
- Exposure At Default ('EAD')

In order to compute ECL, PD, EAD and LGD are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on an annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed up. The discount rate used in ECL computation is the original effective interest rate or an approximation thereof.

Lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the loans. The maturity profile is based on historically observed data.

EADs are determined based on the expected payment profile, this is generally based on the contractual repayments owed by the borrower over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the borrower.

LGDs are computed at facility level. These are based upon information such as exposure, collateral and business segment characteristics, and macro-economic outlook.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial asset (continued)

<u>The policy applicable from 1 January 2018 (continued)</u>

Restructured or modified financial assets
If the terms of a financial asset are renegotiated, or modified or an existing financial asset is replaced with a new one due to the financial difficulties of the borrower, then an assessment is made to ascertain whether the financial asset should be derecognised and ECLs are measured as follows:

- if the expected restructuring or modification does not result in the derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in the calculation of cash shortfalls arising from the existing asset.
- if the expected restructuring results in the derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow arising from the existing financial asset at the time of its derecognition. This amount is included in the calculation of cash shortfalls arising from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Purchased or originated credit- impaired ("POCI") assets
POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value on original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. Life time ECLs are only recognised or released to the extent that there is a subsequent change in the ECL.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets measured at FVOCI are credit-impaired. A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties or other economic factors.

Reversals of impairment
If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the impairment allowance account accordingly. The write-back is recognised in the consolidated income statement.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging
The Group uses derivative financial instruments as trading investments as well as to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when their fair value is negative.

Gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

For the purpose of hedge accounting, hedging relationships are categorised as either:

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or,
- Hedges of net investment in a foreign operation (net investment hedges).

Hedge accounting rules are governed by IFRS (2017: IAS 39, 2018: IFRS 9) and apply to financial instruments that qualify as hedging instruments and are designated in a hedging relationship such as one of the three categories listed above.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Hedge effectiveness is measured by the Group on a prospective basis at inception and prospectively over the term of the hedge relationship. Sources of ineffectiveness in hedge accounting include the impact of derivative related credit risk on the valuation of the hedging derivative and hedged item. To mitigate this credit risk, the Group executes hedging derivatives with high quality counterparties and the majority of the Group's hedging derivatives are collateralised.

Hedges that meet the criteria for hedge accounting as defined by IFRS are accounted for as follows:

Fair value hedge
When a derivative is designated as the hedging instrument in a fair value hedge of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedge
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of derivative is recognised in the 'hedge reserve' within equity. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the consolidated income statement.

The accumulated gains and losses recognised in OCI are reclassified to the income statement in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are removed from equity and included in the initial measurement of the cost of the asset or liability.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Cash flow hedge (continued)
When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively, and any cumulative gain or loss recognised in other comprehensive income at that time remains in equity until the forecast transaction is eventually recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately reclassified to the income statement.

Net investment hedges
Net investment hedging instruments often consist of derivatives such as forward contract that are accounted for in the same manner as cash flow hedges. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income in the translation reserve. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in the consolidated income statement. The amount recognised in other comprehensive income is reclassified to the income statement as an adjustment on disposal of the foreign operation.

Inventories
Inventories are stated at the lower of cost and estimated net realisable value. Cost of materials comprises of expenditure incurred in bringing each product to its present location and condition. Cost of finished goods and work in progress comprises of cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs and is determined as below:

Petroleum products	*weighted average*
Airline inventory for internal use (excluding consumer goods)	*weighted average*
Airline consumer goods	*first-in-first-out*
Other consumable goods	*weighted average*
Contracting inventory	*first-in-first-out*

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Properties held with the intention of sale in future are classified as inventory properties under inventory. Inventory properties are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Management reviews the carrying values of the inventory properties at each reporting date.

Crude oil overlifts and underlifts
Crude oil overlifts and underlifts arise on differences in quantities between the Group's entitlement production and the production either sold or held as inventory by the Group at the reporting date. Underlifts and overlifts of entitlement to crude oil production are measured at market value and recorded as a receivable and payable, respectively. The movement within an accounting period is adjusted through changes in inventory in the consolidated income statement.

Work in progress and excess billings (in respect of construction contracts)
Work in progress is stated at cost plus attributable profits, less provision for any anticipated losses and progress payments received and receivable and shown as contract receivables. Where the payments received or receivable for any contract exceed the cost plus attributable profits or less anticipated losses, the excess is shown as excess billings.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with banks, due from banks and Islamic financing and investment products with original maturity of three month or less, net of bank overdrafts and due to banks with an original maturity of three month or less.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Maintenance reserve
One of the Group's subsidiary engaged in aircraft leasing business has created maintenance reserve. Maintenance reserve comprise of maintenance advances, lessor contributions, repossession provisions, re-lease provisions and heavy maintenance provisions. In many aircraft operating lease contracts, the lessee has the obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (supplemental amounts). In such contracts, upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, the Group reimburses the lessee for the work, up to a maximum of the supplemental amounts received with respect to such work.

The Group also recognises maintenance reserves that are not expected to be reimbursed to lessees, as lease revenue, during the lease term when the Group has reliable information that the lessee will not require reimbursements of additional rentals based on a maintenance forecasting model. Where amounts expected to be reimbursed are not certain, revenue is recognised at the end of the lease.

When aircraft are sold, the portion of the accrued liability not specifically assigned to the buyer is derecognised from the consolidated statement of financial position as part of the gain or loss on disposal of the aircraft.

Lessor contributions
At the beginning of each new lease subsequent to the first lease on a new aircraft, lessor contributions representing contractual obligations on the part of the Group to contribute to the lessee's cost of the next planned major maintenance event, expected to occur during the lease, are established. The Group regularly reviews the level of lessor contributions to cover its contractual obligations under current lease contracts and makes adjustments as necessary.

Lessor contributions represent a lease incentive and are recorded as a charge against lease rental income over the life of the associated lease.

Lessor contributions in respect of end of lease adjustments are recognised when the group believes it is probable that it will be required to reimburse amounts to a lessee and the amount can be reasonably estimated.

Frequent flyer programme ("Skywards")
The Group's airline subsidiaries operate a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on the Group's airlines and other airlines that participate in the programme. Members can also accrue miles by utilising the services of non-airline programme participants.

These subsidiaries account for Skywards miles (predominantly accrued through sale of flight tickets or purchase of miles by programme partners) as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to Skywards miles based on their stand-alone selling price, adjusted for expected expiry and the extent to which the demand for an award cannot be met, and is accounted for as a contract liability (deferred revenue) in the consolidated statement of financial position. The standalone selling price is determined using the adjusted market assessment approach, using estimation techniques and taking into consideration the various redemption options available to Skywards members. Marketing income earned from partners associated with the programme is recognised when the miles are issued.

Revenue for redemption of miles is recognised in the consolidated income statement only when they fulfil its obligations by supplying free or discounted goods or services on redemption of the miles accrued, or when the validity of the miles or points expires.

Abandonment and decommissioning costs
The PSA provides for a fixed proportion of the proceeds of the Group's oil production to be set aside in an escrow bank account to meet abandonment and decommissioning costs of wells, platforms and other facilities and is not therefore available for other purposes. Previously, under an arrangement, the abandonment and decommissioning funds were held in designated accounts controlled by the Group and were classified, together with the related liability, as current in the consolidated statement of financial position.

Following an amendment to the PSA, the abandonment and decommissioning funds were distributed to the Group and the agency of the relevant government in an agreed ratio and the liability was extinguished. In accordance with the terms of the PSA, abandonment and decommissioning obligations are limited to the accumulated abandonment and decommissioning funds set aside in an escrow account.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits
The Group operates or participates in various end of service benefit plans that are classified either as defined contribution or defined benefit plans.

A defined contribution plan is a pension scheme under which the relevant subsidiary pays a fixed contribution and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to settle the benefits relating to the employees service in the current and prior periods. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets at this date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the reporting date of high quality bonds that have terms to maturity approximating the estimated term of the post-employment benefit obligations.

Actuarial gains and losses for defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are immediately recognised in retained earnings through consolidated statement of comprehensive income in the period in which they arise.
UAE national employees participate in the UAE government's pension fund to which the employee and the Group contribute a specified percentage of salary. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

Senior employees of certain subsidiaries who are based in the UAE also participate in provident funds to which employees of the relevant subsidiary and the subsidiary itself contribute a specified percentage of salary. Contributions to provident funds are charged to the consolidated income statement in the period in which they fall due.

End of service benefits for other employees based in the UAE are provided for as per UAE labour law and are based on periods of cumulative service and employees' latest basic salary levels. End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

Share-based compensation plans
Certain employees (including senior executives) of some of the Group's subsidiaries receive remuneration in the form of shares, whereby such employees render services in consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of shares at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings
Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value recognised in the consolidated income statement over the period of the borrowing using the effective interest method.

Interest / profit is payable on various facilities, bank borrowings and bank loans at normal commercial rates. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs commences from the date of incurring of expenditure related to the qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. Borrowing costs relating to the period after acquisition or construction are expensed.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Sale and repurchase agreements
Securities sold subject to repurchase agreements ("repos") are disclosed in the Group's consolidated financial statements when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included as a separate deposit. Securities purchased under agreements to resell ("reverse repos") are recorded as loans to and receivables from other banks or customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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 Group 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. Expenses relating to provisions are presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for aircraft return conditions represents the estimate of the cost to meet the contractual return conditions on certain aircraft and engines held under operating leases. The present value of the expected cost is recognised over the lease term considering the existing fleet plan and long-term maintenance schedules.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but is disclosed when an inflow of economic benefits is probable.

Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders, for a loss they incur because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes
Income tax expense comprise current and deferred tax. Income tax expense also include any interest, fines and penalties payable to the relevant tax authorities in the jurisdictions in which the Group entities operate.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax
Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, that affects neither accounting nor taxable profit or loss; and
- in respect of temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which they can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is expected to be realised or the liability is expected to be settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- expected to be realised or intended to sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities, respectively.

Non-current assets held for sale and discontinued operations
Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through their continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to sell, and the sale transaction should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A disposal group qualifies as discontinued operation if it is a component of the Group that is a CGU or a group of CGUs, that either has been disposed of, or is classified as held for sale or distribution, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the consolidated statement of financial position. Results of the discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is considered to be the senior management of ICD, who makes strategic decisions and is responsible for the overall allocation of resources and assessment of performance of the operating segments.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The following areas describe the key sources of uncertainty where management of the relevant entities exercised judgments and made assumptions that have a material impact over the carrying value of assets and liabilities.

Financial Instruments (applicable before 1 January 2018)

Classification of investment securities
Management decides at the time of initial recognition of an investment whether it should be classified as held-to-maturity, held for trading, carried at fair value through profit or loss or available-for-sale.

For those investments deemed to be held-to-maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Group has the intention and ability to hold these to maturity.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Financial Instruments (applicable before 1 January 2018) (continued)

Classification of investment securities (continued)
The Group follows the IAS 39 unless on the classification of non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investment securities to maturity. In the event a Group entity fails to keep these investments to maturity other than for the specific circumstances, such as, selling an insignificant amount close to maturity, the Group is required to reclassify the entire class as available-for-sale and is prohibited from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group classifies investments as held for trading if they are acquired primarily for the purpose of making a short-term profit.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss.

All other investment securities are classified as available-for-sale.

Impairment of available-for-sale investments
The Group treats an available-for-sale investment as impaired when there has been a significant or prolonged decline in the fair value of the investment below its cost, or where other objective evidence of impairment exists giving due consideration to other factors, including normal volatility in share prices for quoted securities and the future cash flows and the discount factors for unquoted securities.

The Group follows the guidance of IAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In doing so, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Allowances for impairment of loans and receivables, Islamic financing and investment products
The Group's banking operations review its loans and receivables portfolio, Islamic financing and investment products to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group considers whether any observable data indicates that there is a measurable decrease in the contractual future cash flows of a loan or homogenous group of loans or Islamic financing and investment products. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

In addition to specific allowances against individually significant loans and receivables and Islamic financing and investment products, the Group also makes a collective impairment allowance to recognise that at any reporting date, there will be an amount of loans and receivables, Islamic financing and investment products that are impaired even though a specific trigger point for recognition of the loss has not yet been evidenced (known as the "emergence period'').

Financial Instruments (applicable from 1 January 2018)

Classification of financial assets under IFRS 9
When the Group classifies financial assets, it makes judgements and estimates to:
- Assess the business model within which the assets are held and whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amounts outstanding.
- Determine the classification of certain financial assets as measured at FVTPL or at FVOCI.
- Determine fair value at the time of reclassification i.e. on initial adoption of IFRS 9.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Financial Instruments (applicable from 1 January 2018) (continued)

Significant increase in credit risk
While estimating ECL, the Group assumes that the credit risk on a financial asset has significantly increased since initial recognition, when there is an objective evidence or key risk indicators to support it.

IFRS 9 contains a rebuttable presumption that instruments that are 30 days past due have experienced a significant increase in credit risk.

The Group performs the following analysis to find objective evidence or key risk indicators of increased credit risk:

- The Group compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at origination.
- The Group performs additional qualitative reviews to assess the significant increase in credit risk and make adjustments, as necessary, to better reflect the positions that have significantly increased in risk.

Macroeconomic factors and forward looking information
IFRS 9 requires an unbiased and probability weighted estimate of credit losses obtained by evaluating a range of possible outcomes that incorporate forecasts of future economic conditions. Macroeconomic factors and forward looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since inception. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Definition of default
The definition of default followed by the Group for impairment assessment is in line with the guidelines of IFRS 9. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Expected life
The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Fair value of financial instruments
The fair value of investments that are actively traded on organised financial market is determined by reference to quoted market bid prices at the close of business of the reporting date. Where the fair value of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, it is determined using a variety of valuation techniques including the use of various valuation models. The input to these models is taken from observable market data where possible, and where not possible, a degree of judgement is required in establishing fair values.

Revenue from contracts with customers (applicable from 1 January 2018)

Satisfaction of performance obligations
The Group assesses each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of revenue recognition.

Determination of transaction prices
The Group determines the transaction price in respect of each of its contracts with customers. In doing so, the Group assesses the impact of any variable consideration, any significant financing component and any non-cash consideration included in the contract.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Revenue from contracts with customers (applicable from 1 January 2018) (continued)

Allocation of transaction price to performance obligation in contracts with customers
A transaction price is allocated to each performance obligation on the basis of their stand-alone selling prices. The Group estimates standalone selling price as a price at which a promised good or service is sold separately to a customer in the market. Where an observable market price is not available, 'the adjusted market assessment approach', 'the expected cost plus margin approach' or 'the residual method', as relevant, may be used to estimate the stand-alone selling price.

Method to recognise revenue over time
The Group exercises significant judgment to evaluate whether to apply the input method or output method in allocating the transaction price to performance obligations when revenue is recognised over a period of time. The Group may select an appropriate output or input method based on business segment or products or services in such business segment. However, the Group applies the method consistently to similar performance obligations and in similar circumstances.

In applying the input method, the Group estimates the costs to complete the projects in order to determine the amount of revenue to be recognised. The Group uses the output method where performance is measured based on the direct value of the goods or services transferred to date to the customers, in comparison to the remaining goods or services to be provided under the contract.

Transfer of control in contract with customer
Where the Group determines that performance obligations are satisfied at a single point in time, revenue is recognised when control over the asset is transferred to the customer. Significant judgement is required to evaluate when 'control' is transferred to the customer.

Passenger and cargo revenue recognition
The Group's subsidiaries recognise passenger and cargo sales as revenue when each performance obligation for the transportation service is fulfilled. The value of unused revenue documents is held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Passenger ticket related breakage is estimated based on historical trends and recognised in the consolidated income statement proportionally with each transfer of service to the customer. A 5% change to the breakage percentage will not result in a material change to passenger and cargo revenue.

Impairment losses on property, plant and equipment, investment properties and development properties ("Properties")
The Group reviews its Properties to assess at each reporting date whether there are any indications of impairment. In determining whether impairment losses should be reported in the consolidated income statement, the Group assesses whether there is any observable data indicating that there is a reduction in the carrying value of its Properties. Accordingly, an allowance for impairment is made where there is an identified loss event or a condition which, based on previous experience, is evidence of a reduction in the carrying value of the Properties.

Depreciation of property, plant and equipment and investment properties
The Group determines the useful lives and residual values of property, plant and equipment and investment properties based on the intended use and the economic lives of those assets. Subsequent changes in circumstances due to factors such as technological advancement or a change in the prospective utilisation of these assets could result in the actual useful lives or residual values differing from initial estimates.

Development and production assets – depletion
One of the Group's subsidiaries' share of commercial oil reserves is computed in accordance with a PSA. In arriving at the carrying value of the Group's development and production assets, significant assumptions have been made in respect of the depletion charge. These significant assumptions include estimates of oil and gas reserves, future oil and gas prices, signing of the gas sales agreement and estimates of future development costs including the cost of drilling, infrastructure facilities and other capital and operating costs.

The depletion charge computation assumes the continued development of the field to extract the assessed oil and gas reserves and the required underlying capital expenditure to achieve the same.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Frequent flyer programme

The Group's airline subsidiaries account for Skyward miles (predominantly accrued through sale of flight tickets or purchase of miles by programme partners) as a separately identifiable component of the sale transaction in which they are granted. The consideration in respect of the initial sale is allocated to Skyward miles based on their stand-alone selling price and is accounted for as a liability (deferred revenue) in the consolidated statement of financial position.

The stand-alone selling price is determined using an adjusted market assessment approach. The adjusted market assessment approach involves the use of estimation techniques to determine the standalone value of Skyward miles and reflect the weighted average of a number of factors i.e. fare per sector, flight upgrades and partner rewards using historical trends. Adjustments to the stand-alone selling price of miles are also made in consideration of those miles not expected to be redeemed by programme members and of the extent to which the demand for an award cannot be met.

A level of judgement is exercised by management due to the diversity of inputs that go into determining the stand-alone selling price of miles. A reasonably possible change to any single assumption will not result in a material change to the deferred revenue.

Provision for aircraft return conditions

The measurement of the provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by the Group's subsidiaries operating in the aviation sector. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. A reasonably possible change in any single assumption will not result in a material change to the provision.

Classification of operating lease – Group as a lessor

The Group has entered into aircraft leases and commercial residential property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these assets and so accounts for the lease contracts as operating leases.

Classification of finance lease – Group as a lessee

A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred to the Group. In determining the appropriate classification, the substance of the transaction rather than its form is considered. Factors considered include but are not limited to the following:

- whether the lease transfers ownership of the asset to the lessee by the end of the lease term;
- whether the lessee has the option to purchase the asset at the price that is sufficiently lower than the fair value on exercise date;
- whether the lease term is for the major part of the economic life of the asset; and
- whether the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Where the Group enters into an aircraft sale and leaseback transaction, the timing and amount of profit recognised on the transaction depends on the fair value of the aircraft at the time of sale. Judgement is required to estimate the fair value due to the diversity of inputs that goes into the determination of the aircraft value; this includes references to third party valuations.

Impairment of investments in associates and joint ventures (equity accounted investments)

At each reporting date, an assessment is made to ascertain whether there is any objective evidence of impairment in the carrying values of investments in associates and joint ventures. In such instances, the investment is subject to an impairment test by comparing the carrying amount to the recoverable amount of the asset. Considering the long term nature of these investments, the recoverable amount is usually determined based on value-in-use calculations. Calculating the value-in-use implies obtaining cash flow forecasts from the management of the equity accounted entities. Publicly listed companies often operate under restrictions due to the applicable listing regulations on disclosure of information to a selective group of the equity holders and, therefore for such investments, the Group develops its own estimated cash flows using publicly available data or analysts' forecasts, as appropriate.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of other non-financial assets
The Group assesses whether there are any indicators of impairment in the carrying values of other non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and selects a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of intangible assets on acquisition
For each acquisition, the Group assesses the fair value of intangible assets acquired. In instances where the fair value of individual assets in a CGU cannot be measured reliably, a single asset separate from goodwill is recognised. Where the fair value of an intangible asset cannot be determined by reference to the value of assets on an active market, fair values are established using valuation techniques e.g. discounting future cash flows the assets. In the process, estimates are made of the future cash flows, the useful life and the discount rate based on the Group's experience and expectation at the time of acquisition.

Amortisation of intangible assets
The Group assigns useful lives and residual values to intangible assets based on the intended use of the assets, the underlying contractual or legal rights and historical experience. Subsequent changes in circumstances due to factors such as technological advancement, changes in the terms of the underlying contracts or prospective utilisation of these assets result in the useful lives or residual values differing from initial estimates. The Group has reviewed the residual values and useful lives of major intangible assets and made adjustments where necessary.

Provision for obsolete inventory
The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognised in the consolidated income statement, the Group assesses whether there is any observable data indicating that there are future adverse factors affecting the saleability of the product and the net realisable value for such product. Accordingly, a provision for impairment is recognised where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on past movement including future expected consumption or age analysis.

Contingent liability arising from litigations
Due to the nature of its operations, the Group may be involved in litigation arising in the ordinary course of business. Provision for contingent liabilities arising from litigation are based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property. In making its assessment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its assessment.

Pension and other post employment benefits
The cost of defined benefit pension plans and other post employment medical benefits is determined using a number of methods including actuarial valuations. This process involves making assumptions about expected rates of return on assets, discount rates, future salary increases, mortality rates and future pension increases and the assessment of the materiality of the amounts involved. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgment is involved in determining the Group provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax payable based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

3 OTHER INCOME

	2018 *AED'000*	*2017* *AED'000*
Foreign exchange income – net	**999,424**	1,657,860
Net gain on disposal of investment in subsidiaries, associates and joint ventures	**771,427**	58,372
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	**534,039**	488,539
Net gain / (loss) on disposal of assets and liabilities classified as held for sale	**120,569**	(55,099)
Net gain on sale of available-for-sale investments	**-**	255,538
Liquidated damages	**646,867**	174,791
Vendors' support fee income	**321,859**	306,231
Net gain on sale of investment securities measured at FVOCI	**11,828**	-
Net change in fair value of investment securities measured / held at FVTPL	**(309,169)**	144,004
Others	**2,239,319**	2,072,108
	5,336,163	5,102,344

4 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2018 *AED'000*	*2017* *AED'000*
Impairment loss on loans and receivables - net of recoveries (see note 20)	**1,595,748**	1,704,447
Impairment loss on Islamic financing and investment products – net of recoveries (see note 19)	**564,839**	574,927
Impairment loss on trade and other receivables - net of recoveries (see note 18)	**240,072**	66,383
Impairment loss on investment securities	**16,442**	27,224
Impairment loss on other non-current assets – net of recoveries (see note 16.3)	**10,020**	(3,720)
Reversal of impairment loss on cash and deposits with banks - net	**(3,136)**	-
Bad debt recovery - net of other losses	**(343,518)**	(139,611)
	2,080,467	2,229,650

5 OTHER FINANCE INCOME

	2018 *AED'000*	*2017* *AED'000*
Interest income and profit from bank deposits and investing activities	**1,104,243**	534,049
Interest income and profit from associates and joint ventures (see note 35(a))	**529,613**	588,999
Interest income and profit from the Government, Ministry of Finance of the UAE ("MOF") and other related parties (see note 35(a))	**412,788**	387,921
Other interest income and profit	**107,634**	172,541
	2,154,278	1,683,510

6 OTHER FINANCE COSTS

	2018 *AED'000*	*2017* *AED'000*
Finance costs on borrowings	**3,032,506**	2,258,142
Finance charges on finance leases and hire purchase contracts	**1,464,835**	1,262,531
Interest / profit on loans from associates and joint ventures (see note 35(a))	**491,334**	378,311
Interest / profit on loans from Government, MOF and other related parties (see note 35(a))	**374,194**	335,237
Others	**605,001**	413,640
	5,967,870	4,647,861

7 INCOME TAX EXPENSE

The components of income tax expense are as follows:

	2018 *AED'000*	*2017* *AED'000*
Current income tax		
Current income tax charge	**670,056**	523,504
Deferred income tax		
Relating to origination and reversal of temporary differences (see below)	**216,902**	20,963
Income tax expense	**886,958**	544,467

Deferred income tax

Deferred income tax at year-end relates to the following:

	Consolidated statement of financial position ***2018*** ***AED'000***	***Consolidated income statement*** ***2018*** ***AED'000***
Deferred tax liabilities		
Accelerated depreciation for tax purposes	**2,861,691**	**214,400**
Tax effect of intangible assets and other timing differences	**(1,020,966)**	**40,637**
	1,840,725	**255,037**
Deferred tax assets		
Losses available for offset against future taxable income	**10,543**	**2,671**
Other timing differences	**217,272**	**(40,806)**
	227,815	**(38,135)**
Deferred income tax		**216,902**

7 INCOME TAX EXPENSE (continued)

Deferred income tax (continued)
Deferred income tax at year-end relates to the following: (continued)

	Consolidated statement of financial position 2017 AED'000	*Consolidated income statement 2017 AED'000*
Deferred tax liabilities		
Accelerated depreciation for tax purposes	2,804,949	166,775
Tax effect of intangible assets and other timing differences	(1,246,584)	(63,356)
	1,558,365	103,419
Deferred tax assets		
Losses available for offset against future taxable income	5,278	(53,700)
Other timing differences	171,072	(28,756)
	176,350	(82,456)
Deferred income tax		20,963

A significant part of the Group's operations are carried out within the UAE and currently the Group's operations in the UAE are not subject to corporation tax. Some of the Group's subsidiaries operating abroad secured tax exemptions by virtue of double taxation avoidance agreements and reciprocal arrangements in most of the jurisdictions in which they operate. Income tax therefore relates only to certain overseas subsidiary companies and operations that are subject to income tax.

The relationship between the tax expense and the accounting profit can be broadly explained as follows:

	2018 AED'000	*2017 AED'000*
Net profit before tax	**22,278,043**	25,186,804
Of which profit arising from taxable jurisdictions is:	**3,890,628**	2,318,372

	2018 AED'000	*2017 AED'000*
Tax calculated at domestic tax rates applicable to profits arising in taxable jurisdictions	**770,820**	606,452
Effect of non-deductible expenses	**68,570**	7,006
Effect of income exempt from tax	**(19,706)**	(40,824)
Prior period adjustment / release of provision	**4,575**	(8,725)
Impact of tax rate change - net	**(24,419)**	3,070
Effect of other items - net	**87,118**	(22,512)
Income tax expense - net	**886,958**	544,467

8 PROFIT FOR THE YEAR

	2018 *AED'000*	*2017* *AED'000*
Profit for the year is stated after charging the following:		
Staff costs	**29,468,024**	27,043,803
Rental-operating leases (includes aircraft operating lease expense of AED 11,858,164 thousand (2017: AED 11,195,058 thousand))	**12,799,580**	12,001,837
Depreciation and impairment on property, plant and equipment, investment properties and development properties (see notes 10, 12 and 13)	**16,012,186**	14,268,246
Amortisation and impairment of intangible assets and release of advance lease rentals (see notes 11 and 16.2)	**1,591,645**	1,454,647

Staff costs include pension costs of AED 174,461 thousand (2017: AED 108,657 thousand), other post-employment benefits of AED 1,072,969 thousand (2017: AED 1,082,002 thousand) and employee profit share scheme expense of AED 93,529 thousand (2017: AED 85,935 thousand).

9 BUSINESS COMBINATIONS

a) Acquisition of Qantas Catering Group Limited

During the current year, the Group acquired a 100% ownership of Snap Fresh Pty Limited and Qantas Catering Group Limited, which are together referred to as the Qantas Catering business ("Qantas Catering"), whose primary business is to prepare in-flight meals mainly for Qantas and few other airlines and provide airline catering logistics in Australia.

The Group recorded the fair value of the assets and liabilities of Qantas Catering at the date of acquisition, as summarised below:

	Fair value ***AED'000***
Property, plant and equipment	146,882
Intangible assets	55,909
Deferred tax assets	27,528
Trade and other receivables	147,521
Employees' end of service benefits	(41,721)
Deferred tax liabilities	(11,394)
Trade and other payables	(128,637)
Fair value of the net assets acquired	**196,088**
Goodwill	**205,494**
Purchase consideration (see below)	**401,582**

9 BUSINESS COMBINATIONS (continued)

a) Acquisition of Qantas Catering Group Limited (continued)

	AED'000
Consideration paid	380,013
Deferred consideration	21,569
Total purchase consideration	**401,582**

	AED'000
Analysis of cash flow on acquisition:	
Consideration paid	(380,013)
Net cash outflow on acquisition	**(380,013)**

Costs of acquisition are included within general, administrative and other expenses in the consolidated income statement.

Goodwill is attributable to expected synergies, revenue growth and future market development of the acquired business.

The acquired entity contributed revenue of AED 180,475 thousand and its share of results were not significant to the Group from the acquisition date to 31 December 2018. If the acquisition had taken place at the beginning of the year, Qantas Catering's contribution to the Group's revenue and the Group's profit would have been AED 1,089,695 thousand and AED 20,017 thousand respectively.

b) Additional stake in Kerzner International Holdings Limited

During the current year, the Group acquired an additional stake in one of its subsidiaries, Kerzner International Holdings Limited for AED 599,760 thousand (2017: AED 887,145 thousand), thus increasing its ownership from 87.69% to 99.99% (2017: increasing its ownership from 69.47% to 87.69%). As a result, AED 244,685 thousand (2017: AED 349,764 thousand) of non-controlling interests acquired by the Group were transferred from "non-controlling interests" to "equity attributable to the equity holder of ICD" and classified as "change in Group's ownership in existing subsidiaries" in the consolidated statement of changes in equity.

c) Acquisition of ALEC Engineering & Contracting LLC

During 2017, the Group acquired 90% of the shares in ALEC Engineering & Contracting LLC ("ALEC").

The principal activity of ALEC is to engage in engineering and construction contracting.

	Fair value AED'000
Fair value of the net assets acquired at the date of acquisition	**418,661**
Less: Fair value of non-controlling interests	(43,506)
Group's share of net assets acquired	**375,155**
Goodwill	636,510
Purchase consideration (see below)	**1,011,665**

9 BUSINESS COMBINATIONS (continued)

c) Acquisition of ALEC Engineering & Contracting LLC (continued)

	AED'000
Consideration paid	921,665
Deferred consideration	90,000
Total purchase consideration	**1,011,665**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	519,096
Consideration paid	(921,665)
Net cash outflow on acquisition	**(402,569)**

d) Acquisition of AWAS

During 2017, the Group acquired 100% ownership of AWAS Aviation Capital Designated Activity Company ("AWAS"), whose primary business is the leasing of commercial aircraft.

	Fair value AED'000
Fair value of the net assets acquired at the date of acquisition	**8,002,133**
Goodwill	168,392
Purchase consideration	**8,170,525**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	1,673,665
Consideration paid	(8,170,525)
Net cash outflow on acquisition	**(6,496,860)**

e) Additional stake in Dubai Aerospace Enterprise (DAE) Limited

During 2017, the Group further invested in DAE's share capital, thus increasing its ownership from 80.53% to 95.74%. As a result, AED 713,244 thousand of non-controlling interests acquired by the Group were transferred from "non-controlling interests" to "equity attributable to the equity holder of ICD" and classified as "change in Group's ownership in existing subsidiaries" in the consolidated statement of changes in equity.

f) The Group acquired or incorporated a number of other immaterial subsidiaries during the current year. Moreover, during the current year the Group's shareholding in a number of subsidiaries changed and individually these had no significant impact on the Group.

g) On 2 April 2019, Emirates NBD PJSC entered into a revised sale purchase agreement with Sberbank of Russia to acquire its 99.85% stake in Denizbank A.S., a financial institution headquartered in Turkey. The transaction is expected to complete by end of Q2 2019, subject to obtaining necessary regulatory approvals.

10 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft, aircraft engines and parts AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
Balance at 1 January 2018	39,894,436	7,148,964	28,574,662	18,520,336	145,154,024	13,727,918	253,020,340
Transfers from investment properties (see note 12)	-	911	-	-	-	-	911
Transfers from development properties (see note 13)	13,675	-	676	-	-	-	14,351
Transfers to assets held-for-sale	-	-	-	-	(5,239,532)	(55,460)	(5,294,992)
Other transfers	1,536,901	166,142	578,957	-	17,178,497	(19,460,497)	-
Additions during the year	1,018,719	523,990	4,370,384	1,308,442	4,169,347	16,847,871	28,238,753
Acquired on business combination	365,853	58,163	159,629	-	-	108,444	692,089
Disposals during the year	(450,649)	(380,014)	(2,160,990)	-	(3,792,294)	(71,240)	(6,855,187)
Write-off during the year	(2,632)	(1,841)	(13,087)	-	(182,960)	-	(200,520)
Translation differences	(111,852)	(67,709)	(136,897)	-	(396)	(3,384)	(320,238)
At 31 December 2018	**42,264,451**	**7,448,606**	**31,373,334**	**19,828,778**	**157,286,686**	**11,093,652**	**269,295,507**
Accumulated depreciation and impairment:							
Balance at 1 January 2018	11,168,922	5,359,274	15,958,073	11,083,443	36,524,417	1,731	80,095,860
Depreciation and impairment charge for the year (see note 8)	1,558,825	687,699	3,859,428	1,159,007	7,980,478	4,461	15,249,898
Acquired on business combination	51,263	43,901	42,658	-	-	-	137,822
Transfers to assets held-for-sale	-	-	-	-	(1,043,939)	-	(1,043,939)
Relating to disposals during the year	(438,916)	(370,327)	(2,001,745)	-	(1,304,253)	(544)	(4,115,785)
Relating to write-off during the year	(2,508)	(1,808)	(14,275)	-	(24,376)	-	(42,967)
Translation differences	(54,740)	(42,946)	(63,885)	-	(392)	-	(161,963)
Other transfers	117	(15,699)	15,582	-	-	-	-
At 31 December 2018	**12,282,963**	**5,660,094**	**17,795,836**	**12,242,450**	**42,131,935**	**5,648**	**90,118,926**
Net book value:							
At 31 December 2018	**29,981,488**	**1,788,512**	**13,577,498**	**7,586,328**	**115,154,751**	**11,088,004**	**179,176,581**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft, aircraft engines and parts AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
Balance at 1 January 2017	37,340,491	6,559,311	25,736,620	17,037,543	98,124,128	13,955,907	198,754,000
Transfers (to) / from investment properties (see note 12)	(274,715)	116	-	-	-	-	(274,599)
Transfers from development properties (see note 13)	184,652	4,232	48	-	-	-	188,932
Other transfers	1,641,271	202,313	481,237	-	8,619,595	(10,944,416)	-
Additions during the year	998,388	545,399	4,074,067	1,482,793	4,158,472	9,532,877	20,791,996
Acquired on business combinations	260,938	47,518	256,271	-	36,873,836	1,289,098	38,727,661
Disposals during the year	(382,311)	(246,523)	(2,171,624)	-	(2,623,594)	(105,202)	(5,529,254)
Translation differences	125,722	36,598	198,043	-	1,587	(346)	361,604
At 31 December 2017	39,894,436	7,148,964	28,574,662	18,520,336	145,154,024	13,727,918	253,020,340
Accumulated depreciation and impairment:							
Balance at 1 January 2017	9,772,069	4,827,520	14,051,531	9,736,343	22,766,800	1,551	61,155,814
Depreciation and impairment charge for the year (see note 8)	1,456,102	706,790	3,662,571	1,347,101	6,608,291	180	13,781,035
Acquired on business combinations	103,219	28,130	224,475	-	8,549,707	-	8,905,531
Transfer to investment properties (see note 12)	(13,467)	(44)	-	-	-	-	(13,511)
Relating to disposals during the year	(204,055)	(230,614)	(2,063,739)	-	(1,401,794)	-	(3,900,202)
Translation differences	50,967	25,940	88,874	(1)	1,413	-	167,193
Other transfers	4,087	1,552	(5,639)	-	-	-	-
At 31 December 2017	11,168,922	5,359,274	15,958,073	11,083,443	36,524,417	1,731	80,095,860
Net book value:							
At 31 December 2017	28,725,514	1,789,690	12,616,589	7,436,893	108,629,607	13,726,187	172,924,480

10 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Land, buildings and leasehold improvements include:

(i) Certain buildings and leasehold improvements that are constructed on plots of land granted by the Government. The Group accounted for these non-monetary government grants at nominal value.

(ii) Certain business premises that are erected on plots of land obtained on a leasehold basis from the Government/third parties. Management believes that the leases are renewable and that the land will be available to the Group on an ongoing basis for the foreseeable future.

(b) The net book value of property, plant and equipment includes AED 56,472,988 thousand (2017: AED 56,890,008 thousand) related to assets held under finance leases. These are provided as security against finance lease liabilities included under borrowings and lease liabilities.

(c) Borrowing costs of AED 295,237 thousand (2017: AED 263,281 thousand) have been capitalised during the year.

(d) Capital work-in-progress mainly includes:

(i) pre-delivery payments of AED 3,628,554 thousand (2017: AED 7,580,446 thousand) in respect of aircraft deliveries.

(ii) amounts relating to the construction of a pipeline, a gas processing plant, berth facilities, a refinery plant and retail sites.

(iii) amounts relating to the construction of hospitality assets.

(e) Aircraft, aircraft engines and parts include aircraft with a carrying value of AED 33,904,962 thousand (2017: AED 33,724,847 thousand) representing those given on operating leases to various operators. It also include a carrying value of AED 2,777,249 thousand (2017: AED 3,833,257 thousand) representing maintenance right assets.

(f) Plant, machinery equipment and vehicles include a refinery plant in Jebel Ali constructed by a Group subsidiary on leasehold land granted at a nominal lease rent from the Government. The lease is initially for a period of 15 years and can be renewed for a further period of 15 years.

During the year, based on market conditions and changes in business environment, an impairment assessment has been carried out in relation to the Jebel Ali refinery plant. The recoverable amount of the Jebel Ali refinery plant was based on its value-in-use, determined by discounting the future cash flows to be generated from the continuing use of the refinery plant.

The key assumptions used in the estimation of the recoverable amount are as follows:

Discount rate	8.98%
Production in barrels	202,825 bopd
Years of forecast	5 years
Extended forecast period	up to economic useful life of refinery

The cash flow projections included specific estimates for five years. It was extended further using normalised cost and income assumptions without any impact of inflation. Further, first five year of projections were discounted using the nominal discount rate and extended years' cash flow were discounted using real discount rate (nominal minus the long-term inflation).

Based on the assessment, the Group did not record any impairment loss in the current year as the recoverable amount in higher than the carrying value as at the reporting date.

Management has identified that a reasonably possible change in three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the changes required in these three assumptions for the estimated recoverable amount to be equal to the carrying amount.

Discount rate	Increase by 2.62%
Production capacity	Decrease by 18%
Gross margin	Decrease by 12%

11 INTANGIBLE ASSETS

	Licences, exclusive rights and right to use AED'000	*Goodwill AED'000*	*Customer relationships and order backlog AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Brands, trade names and contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2018	11,618,158	12,995,866	1,269,891	2,371,530	1,576,250	2,890,998	291,487	33,014,180
Additions during the year	-	-	310	87,595	191,600	11	476,136	755,652
Acquired on business combination	-	351,947	41,070	27,194	-	3,594	-	423,805
Disposals during the year	-	-	-	(9,421)	(39,375)	(258)	-	(49,054)
Write-off during the year	-	-	(158,121)	(5,821)	-	-	-	(163,942)
Other transfers	-	-	-	258,961	-	-	(258,961)	-
Translation differences	(6,703)	(114,104)	(23,110)	(8,338)	(397)	(22,032)	2,965	(171,719)
At 31 December 2018	**11,611,455**	**13,233,709**	**1,130,040**	**2,721,700**	**1,728,078**	**2,872,313**	**511,627**	**33,808,922**
Accumulated amortisation and impairment:								
Balance at 1 January 2018	2,531,449	184,886	660,997	1,472,136	916,575	831,729	-	6,597,772
Impairment and amortisation charge for the year (see note 8)	401,699	67,086	127,251	290,718	19,667	84,876	-	991,297
Acquired on business combination	-	-	-	6,052	-	-	-	6,052
Relating to disposals during the year	-	-	-	(4,475)	(492)	(4,484)	-	(9,451)
Relating to write-off during the year	-	-	(158,117)	(5,821)	-	-	-	(163,938)
Translation differences	(4,532)	(7,104)	(14,488)	(5,122)	(166)	(13,977)	-	(45,389)
At 31 December 2018	**2,928,616**	**244,868**	**615,643**	**1,753,488**	**935,584**	**898,144**	**-**	**7,376,343**
Net book value:								
At 31 December 2018	**8,682,839**	**12,988,841**	**514,397**	**968,212**	**792,494**	**1,974,169**	**511,627**	**26,432,579**

11 INTANGIBLE ASSETS (continued)

	Licences, exclusive rights and right to use AED'000	*Goodwill AED'000*	*Customer relationships and order backlog AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Brands, trade names and contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2017	11,684,838	12,000,303	1,069,622	2,039,404	1,508,213	2,735,974	327,260	31,365,614
Additions during the year	-	-	15,350	78,248	214,911	-	288,010	596,519
Acquired on business combinations	-	825,515	148,076	-	-	104,157	-	1,077,748
Disposals during the year	-	-	-	(94,874)	(152,660)	(275)	-	(247,809)
Other transfers	-	-	-	323,792	-	-	(323,792)	-
Translation differences	(66,680)	170,048	36,843	24,960	5,786	51,142	9	222,108
At 31 December 2017	11,618,158	12,995,866	1,269,891	2,371,530	1,576,250	2,890,998	291,487	33,014,180
Accumulated amortisation and impairment:								
Balance at 1 January 2017	2,113,791	172,635	530,209	1,286,537	867,254	668,817	-	5,639,243
Impairment and amortisation charge for the year (see note 8)	407,714	-	103,622	251,970	48,863	129,415	-	941,584
Relating to disposals during the year	-	-	-	(77,142)	-	(264)	-	(77,406)
Translation differences	9,944	12,251	27,166	10,771	458	33,761	-	94,351
At 31 December 2017	2,531,449	184,886	660,997	1,472,136	916,575	831,729	-	6,597,772
Net book value:								
At 31 December 2017	9,086,709	12,810,980	608,894	899,394	659,675	2,059,269	291,487	26,416,408

11 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets

A significant proportion of goodwill and other intangible assets with indefinite useful lives as at 31 December 2018 relates to Emirates NBD PJSC, Emirates, dnata, Borse Dubai Limited, Smartstream Technologies Holding Investments Limited and Binaa Dubai LLC. The significant assumptions used by management in carrying out the impairment testing of such assets are as follows:

(a) Emirates NBD PJSC

The goodwill arising on business combinations is reviewed annually for impairment by comparing the recoverable amount, based on value-in-use calculations for CGUs to which goodwill has been allocated, with their carrying value.

The goodwill has been allocated to the following four CGUs:

- Corporate banking
- Consumer banking
- Treasury
- Emirates NBD Egypt S.A.E

Key assumptions used in the impairment test on goodwill

The recoverable amount of the CGUs has been determined based on a value-in-use calculation, using cash flow projections covering a five-year period and applying a terminal growth rate thereafter.

The calculation of the value-in-use in the CGUs is most sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share during the projection period;
- Projected growth rates used to extrapolate cash flows beyond the projection period;
- Current local Gross Domestic Product ("GDP"); and
- Local inflation rates.

Interest margins

Interest margins are based on prevailing market rates at the start of the budget period. These are changed over the budget period for anticipated market conditions.

Discount rates

Discount rates reflect management's estimate of return on capital employed ("ROCE") required in each business. This is the benchmark used by management to assess operating performance and evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital ("WACC").

Projected growth rate, GDP and local inflation rates

Assumptions are based on published industry research.

The goodwill allocated to the CGUs or group of CGUs are as follows:

	Goodwill (AED million)	
CGUs	***2018***	*2017*
Corporate banking	**3,364**	3,364
Consumer banking	**1,700**	1,700
Treasury	**206**	206
Emirates NBD Egypt S.A.E	**53**	53
	5,323	5,323

11 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

(a) Emirates NBD PJSC (continued)

The recoverable amount of goodwill of CGUs, determined on the basis of a value-in-use calculation, uses cash flow projections covering a five year period, with an appropriate terminal growth rate applied thereafter. The forecasted cash flows have been discounted using the WACC in the jurisdiction where the CGU operates. A one percentage point change in the discount rate or the terminal growth rate would reduce the recoverable amount of the CGUs as mentioned in the table below:

CGUs	***One percentage increase in discount rate (AED million)***	***One percentage decrease in terminal growth rate (AED million)***
Corporate Banking	**39,122**	**34,312**
Consumer Banking	**43,895**	**38,497**
Treasury	**7,034**	**6,169**
Emirates NBD Egypt S.A.E	**103**	**55**

(b) Emirates

For the purpose of testing the goodwill for impairment, the recoverable amounts of the CGUs have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a three year period. Cash flows beyond the three year period have been extrapolated using the long term terminal growth rates. The key assumptions used in the value in-use calculations include a risk adjusted pre-tax discount rate of 12% (2017: 12%), gross margins consistent with historical trends and growth rates based on management’s expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the CGUs operate. Any reasonably possible change to the assumptions will not lead to an impairment. The goodwill allocated to the CGUs or group of CGUs are as follows:

	Goodwill (AED million)	
CGUs	***2018***	*2017*
Catering operations	**369**	369
Consumer goods	**212**	212
Food and beverage	**28**	28
	609	609

(c) dnata

For the purpose of testing the goodwill for impairment, the recoverable amounts of the CGUs or group of CGUs have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a period of three years. Cash flows beyond such period have been extrapolated using the terminal growth rates in range of 1.5% to 3% (2017: 1.5% to 4%). The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate in range of 6% to 16% (2017: 6% to 12%), gross margins consistent with historical trends and growth rates based on management's expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the CGUs or group of CGUs operate. The goodwill allocated to CGUs or group of CGUs and the key assumptions used in the value-in-use calculations are as follows:

11 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

(c) dnata (continued)

CGUs	*Goodwill (AED million)* **2018**	*2017*
Airport operations	**801**	801
In-flight catering group	**720**	500
Online travel services	**433**	457
Travel services	**230**	178
Others	**-**	65
	2,184	2,001

The recoverable value of CGUs or group of CGUs would not fall below their carrying amount with a 5% reduction in the gross margin, a 1% reduction in the terminal growth rate or a 1% increase in the discount rate.

(d) Borse Dubai Limited

Goodwill relating to Borse Dubai Limited has a carrying value of AED 2,883 million (2017: AED 2,883 million). Management allocates the entire goodwill to Dubai Financial Market PJSC ("DFM"), a subsidiary of Borse Dubai Limited.

For the purpose of testing the goodwill for impairment, the recoverable amount of the CGU has been determined on the basis of a value-in-use calculation using cash flow forecasts approved by management covering a period to December 2023. Cash flows beyond such period have been extrapolated using a terminal growth rate of 2% per annum. The key assumptions used in the value-in-use calculation also include a discount rate of 10.92% per annum. Based on the results of this analysis, management concluded that no impairment is required for the year ended 31 December 2018.

A decrease in budgeted EBITDA growth rate by 0.5% and increase in the discount rate by 0.1% could cause the carrying amount to exceed the recoverable amount.

(e) Smartstream Technologies Holding Investments Limited ("SSTHIL")

The goodwill relating to SSTHIL (the parent of D-Clear Europe Limited) has a carrying value of AED 566 million (2017: AED 599 million). Management allocates the entire goodwill to Smartstream Technologies Group Limited, an indirect subsidiary of SSTHIL.

For the purpose of testing the goodwill for impairment, the recoverable amount of the CGU has been determined on the basis of a value-in-use calculation using cash flow forecasts approved by management covering a period to December 2022. Cash flows beyond such period have been extrapolated using a terminal growth rate of 2% per annum (2017: 2% per annum). The key assumptions used in the value-in-use calculation also include a pre-tax discount rate of 10.2% per annum (2017: 10.2% per annum). Based on the results of this analysis, management concluded that no impairment is required for the year ended 31 December 2018.

The recoverable value of the CGU would not fall below its carrying amount with a reduction in the terminal growth rate to 0.5% or an increase in the discount rate by 1%.

(f) Binaa Dubai LLC

The goodwill relating to Binaa Dubai LLC has a carrying value of AED 648 million (2017: AED 635 million). Management allocates the entire goodwill to ALEC, a subsidiary of Binaa Dubai LLC. The recoverable amount of the ALEC goodwill is determined on the basis of fair value less costs of disposal calculation using relevant observable market multiples derived from comparable businesses. Based on the results of this analysis, management concluded that no impairment is required for the year ended 31 December 2018.

12 INVESTMENT PROPERTIES

	2018 *AED'000*	*2017* *AED'000*
Cost:		
Balance at the beginning of the year	**19,889,102**	18,024,702
Additions during the year	**3,827,011**	2,294,301
Assets acquired on business combination	**393,514**	-
Transfers (to) / from property, plant and equipment (see note 10)	**(911)**	274,599
Transfers from inventories	**-**	127,437
Transfers from development properties (see note 13)	**-**	42,301
Transferred from / (to) the Government – net (see note 23)	**19,857**	(799,405)
Disposals / transfers during the year	**(165,880)**	(107,776)
Write-off during the year	**(8,286)**	-
Translation difference	**12,802**	32,943
At 31 December	**23,967,209**	19,889,102
Accumulated depreciation and impairment:		
Balance at the beginning of the year	**3,229,129**	2,728,039
Depreciation and impairment charge for the year (see note 8)	**761,627**	487,211
Assets acquired on business combination	**182,819**	-
Transfers from property, plant and equipment (see note 10)	**-**	13,511
Relating to disposals during the year	**(1,332)**	-
Relating to write-off during the year	**(2,593)**	-
Translation difference	**17,485**	368
At 31 December	**4,187,135**	3,229,129
Net book value:		
At 31 December	**19,780,074**	16,659,973

The fair value of investment properties as at the year-end has been determined internally by management or through third party valuations. As a result, impairment of AED 511,378 thousand has been recorded during the year ended 31 December 2018 (2017: AED 273,800 thousand). The fair value measurement of investment properties has been categorised as a level 3 fair value based on the valuation techniques inputs used. Any significant movement in the assumptions used for these fair valuations such as discount rates, yield, rental growth and vacancy rate, is expected to result in a significantly lower or higher fair value of those assets.

13 DEVELOPMENT PROPERTIES

	2018 *AED'000*	*2017* *AED'000*
Cost:		
Balance at the beginning of the year	**1,263,872**	714,226
Additions during the year	**1,421,694**	780,879
Transfers to property, plant and equipment (see note 10)	**(14,351)**	(188,932)
Transfers to investment properties (see note 12)	**-**	(42,301)
Transfer to inventories	**(86,855)**	-
Transfer to cost of sales	**(5,714)**	-
At 31 December	**2,578,646**	1,263,872
Accumulated impairment:		
Balance at the beginning of the year	**41,458**	41,458
Impairment charge during the year (see note 8)	**661**	-
At 31 December	**42,119**	41,458
Net book value:		
At 31 December	**2,536,527**	1,222,414

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2018	*2017*
	AED'000	*AED'000*
Investments in associates	**30,579,721**	28,444,564
Investments in joint ventures	**22,414,192**	18,857,563
	52,993,913	47,302,127

The movement in investments in associates and joint ventures during the year is as follows:

	2018	*2017*
	AED'000	*AED'000*
Balance at the beginning of the year	**47,302,127**	42,682,863
Impact on adoption of IFRS 9	**(334,420)**	-
Impact on adoption of IFRS 15	**1,702,030**	-
Restated balance at the beginning of the year	**48,669,737**	42,682,863
Investments made during the year (see notes (a) and (b))	**4,621,735**	352,983
Share of results of associates and joint ventures - net	**4,727,224**	5,059,384
Dividends received	**(2,532,299)**	(1,773,666)
Arising from business combinations	**-**	8,572
Disposals during the year	**(1,524,223)**	(230,137)
Change in Group's ownership in a subsidiary of an associate (see note (c))	**-**	1,040,424
Amounts recognised directly in equity - net		
- Translation difference	**(481,523)**	238,692
- Cumulative changes in fair value	**(79,242)**	119,762
- Actuarial gain on defined benefit plans	**19,521**	21,791
- Upon demerger completion by an associate of the Group	**(225,599)**	-
- Others	**(201,418)**	(218,541)
At 31 December	**52,993,913**	47,302,127

a) During the current year, the Group subscribed to right shares of AED 1,459,466 thousand (2017: AED Nil) issued by one of its associates.

b) During the current year, the Group converted an outstanding loan to a joint venture of AED 2,693,018 thousand (2017: AED Nil) into an investment in a joint venture.

c) During the prior year, an associate of the Group sold 800,000,000 shares (face value of AED 1 per share) of one of its subsidiaries, Emaar Development LLC ("ED LLC"), representing 20% of the associate's investment in ED LLC, through a secondary offering of shares in an Initial Public Offering ("IPO") and raised AED 4,824,000 thousand. The Group's share of profit on the sale of ED LLC's shares was AED 1,040,424 thousand which was directly recognised in the Group's retained earnings.

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

d) The following table summarises the statement of financial position of the Group's material associates and a joint venture:

31 December 2018

	Emaar Properties PJSC** AED'000	***Dubai Islamic Bank PJSC** AED'000***	***Nasdaq Inc.** AED'000***	***Emirates Global Aluminium PJSC* AED'000***
Total assets	111,956,067	223,415,074	58,458,225	63,983,528
Total liabilities	(54,630,557)	(189,555,415)	(37,290,225)	(31,363,488)
Net assets	**57,325,510**	**33,859,659**	**21,168,000**	**32,620,040**
Group's share of net assets	**13,344,665**	**6,828,747**	**3,814,650**	**16,310,020**

31 December 2017

	*Emaar Properties PJSC** AED'000*	*Dubai Islamic Bank PJSC** AED'000*	*Nasdaq Inc.** AED'000*	*Emirates Global Aluminium PJSC* AED'000*
Total assets	120,062,925	207,069,924	58,774,275	64,626,483
Total liabilities	(70,088,099)	(178,456,491)	(35,985,600)	(38,728,179)
Net assets	49,974,826	28,613,433	22,788,675	25,898,304
Group's share of net assets	11,636,877	5,776,536	4,054,106	12,949,152

* The difference between the Group's carrying value of its investment in the joint venture and the Group's share of net assets of joint venture predominantly relates to the difference between the carrying value of net assets and its fair value at the time of acquisition of this joint venture.

** The difference between the Group's carrying value of its investment in these associates and the Group's share of net assets of these associates, where applicable, predominantly relates to goodwill and intangible assets included in the Group's carrying value of these associates.

e) The following table summarises the income statement and statement of other comprehensive income of the Group's material associates and joint ventures:

Year ended 31 December 2018

	Emaar Properties PJSC AED'000	***Dubai Islamic Bank PJSC AED'000***	***Nasdaq Inc. AED'000***	***Emirates Global Aluminium PJSC AED'000***
Revenue	25,694,324	11,729,762	9,301,425	23,371,782
Profit for the year attributable to the equity holder	**6,108,039**	**4,438,823**	**1,690,500**	**1,170,124**
Other comprehensive (loss) / income for the year	(707,674)	(801,785)	(922,425)	165,573
Total comprehensive income for the year	**5,400,365**	**3,637,038**	**768,075**	**1,335,697**

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

e) The following table summarises the income statement and statement of other comprehensive income of the Group's material associates and a joint venture, before Group level adjustments: (continued)

Year ended 31 December 2018

	Emaar Properties PJSC AED'000	***Dubai Islamic Bank PJSC AED'000***	***Nasdaq Inc. AED'000***	***Emirates Global Aluminium PJSC AED'000***
Group's share of total comprehensive income for the year	**1,484,857**	**1,060,258**	**138,581**	**667,848**
Dividend paid to the Group during the year	**1,102,419**	**658,525**	**186,054**	**-**

Year ended 31 December 2017

	Emaar Properties PJSC AED'000	*Dubai Islamic Bank PJSC AED'000*	*Nasdaq Inc. AED'000*	*Emirates Global Aluminium PJSC AED'000*
Revenue	14,024,052	10,198,785	8,886,150	20,468,327
Profit for the year attributable to the equity holder	3,800,437	3,844,705	2,690,100	3,064,213
Other comprehensive income / (loss) for the year	783,903	114,408	429,975	(74,511)
Total comprehensive income for the year	4,584,340	3,959,113	3,120,075	2,989,702
Group's share of total comprehensive income for the year	1,260,487	1,170,173	555,061	1,494,851
Dividend paid to the Group during the year	295,291	678,628	159,789	-

f) The following table summarises the Group's share of results in individually immaterial associates and joint ventures for the year:

	2018 AED'000	*2017 AED'000*
Profit for the year	**958,939**	980,398
Other comprehensive (loss) / income for the year	**(35,678)**	50,146
Group's share of total comprehensive income for the year	**923,261**	1,030,544
Carrying amount of the Group's interest	**9,841,825**	10,190,419

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

g) The market values, as at 31 December, of the Group's interest held in various associates whose securities are quoted, are as follows:

	2018 AED'000	*2017 AED'000*
Emaar Properties PJSC	**8,130,342**	13,662,123
Dubai Islamic Bank PJSC	**9,346,780**	8,666,461
Commercial Bank of Dubai PSC	**2,242,187**	2,298,242
Nasdaq Inc.	**8,820,000**	8,452,500

The carrying value of the above associates is AED 27,705,878 thousand (2017: AED 24,998,767 thousand).

The investments in associates and joint ventures of the Group have been tested for impairment on an individual basis. Based on such assessment, no impairment loss is required for the years ended 31 December 2018 and 31 December 2017.

15 INVESTMENT SECURITIES

	2018 AED'000	*2017 AED'000*
Measured at FVOCI		
Equities – quoted	**2,972,218**	-
Equities – unquoted	**32,368**	-
Sovereign bonds	**571,900**	-
Corporate bonds	**2,330,771**	-
Others	**760,614**	-
	6,667,871	-
Measured / held at FVTPL		
Equities	**2,710,759**	327,126
Hybrid instruments	**-**	377,957
Sovereign bonds	**2,557,178**	2,010,393
Corporate bonds	**2,085,588**	1,926,233
Others	**810,227**	17,217
	8,163,752	4,658,926
Measured at amortised cost		
Sovereign bonds	**11,436,562**	-
Corporate bonds	**3,287,031**	-
	14,723,593	-
Available-for-sale investments		
Equities – quoted	**-**	5,468,486
Equities – unquoted	**-**	1,880,612
Sovereign bonds	**-**	9,256,205
Corporate bonds	**-**	5,189,522
Others	**-**	887,178
	-	22,682,003

15 INVESTMENT SECURITIES (continued)

	2018 AED'000	*2017 AED'000*
Held-to-maturity investments		
Corporate bonds	**-**	756,149
Sovereign bonds	**-**	1,129,751
Others	**-**	70,277
	-	1,956,177
Total investment securities	**29,555,216**	29,297,106

	2018 AED'000	*2017 AED'000*
Disclosed as follows:		
Non-current assets	**24,432,482**	23,545,069
Current assets	**5,122,734**	5,752,037
	29,555,216	29,297,106

As at year end, investment securities and derivative instruments measured at fair value are categorised as follows:

31 December 2018

	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
Measured at FVOCI	**6,667,871**	**5,826,588**	**658,091**	**183,192**
Measured at FVTPL	**8,163,752**	**6,044,063**	**81,064**	**2,038,625**
Derivative financial instruments - net (see note 28)	**429,603**	**387,393**	**(68,224)**	**110,434**
	15,261,226	**12,258,044**	**670,931**	**2,332,251**

31 December 2017

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Available-for-sale investments	22,682,003	19,786,177	838,868	2,056,958
Held at FVTPL	4,658,926	4,131,490	52,635	474,801
Derivative financial instruments - net (see note 28)	405,125	(364,376)	522,392	247,109
	27,746,054	23,553,291	1,413,895	2,778,868

During the current or prior year, there have been no transfers between Level 1 and Level 2 of the fair value hierarchy.

15 INVESTMENT SECURITIES (continued)

The following table shows a reconciliation of the opening and closing amounts of investments classified within Level 3 of the fair value hierarchy:

	2018 ***AED'000***	*2017* *AED'000*
Balance at the beginning of the year	**2,778,868**	2,815,619
Impact on adoption of IFRS 9	**(32,195)**	-
Restated balance at the beginning of the year	**2,746,673**	2,815,619
Investments made during the year	**780,365**	580,689
Settlements / disposals of investment during the year	**(924,162)**	(505,572)
Net fair value movement during the year	**(334,030)**	(117,553)
Net transfers into Level 3 (from level 1 and 2)	**63,405**	5,685
At 31 December	**2,332,251**	2,778,868

The table below shows the classification of investment securities as per their external ratings:

31 December 2018	***Measured at FVTPL AED'000***	***Measured at FVOCI AED'000***	***Measured at amortised cost AED'000***	***Total AED'000***
Ratings				
AAA	**289,664**	**-**	**668,851**	**958,515**
AA- to AA+	**1,059,112**	**54,530**	**5,826,992**	**6,940,634**
A- to A+	**1,166,253**	**2,415,112**	**3,209,957**	**6,791,322**
Lower than A-	**2,552,922**	**1,886,770**	**4,340,656**	**8,780,348**
Unrated	**3,095,801**	**2,311,459**	**677,137**	**6,084,397**
Total	**8,163,752**	**6,667,871**	**14,723,593**	**29,555,216**

31 December 2017	*Held at FVTPL AED'000*	*Available-for-sale investments AED'000*	*Held-to-maturity investment AED'000*	*Total AED'000*
Ratings				
AAA	-	14,503	-	14,503
AA- to AA+	691,623	5,843,378	10,524	6,545,525
A- to A+	1,448,688	4,772,570	5,653	6,226,911
Lower than A-	873,368	6,414,307	1,632,152	8,919,827
Unrated	1,645,247	5,637,245	307,848	7,590,340
Total	4,658,926	22,682,003	1,956,177	29,297,106

The allowance for impairment on investment securities as at 31 December 2018 amounts to AED 39,118 thousand.

16 OTHER NON-CURRENT ASSETS

	2018 ***AED'000***	*2017* *AED'000*
Loans to / receivables from Government, MOF and other related parties (see notes 16.1 and 35 (b))	**7,095,635**	9,131,166
Loans to / receivables from associates and joint ventures (see notes 35(b) and 14 (b))	**68,423**	3,849,787
Advance lease rentals (see note 16.2)	**4,813,115**	5,252,629
Lease acquisition cost and finance lease receivables	**986,146**	1,191,806
Long term retentions	**310,074**	410,779
Other receivables	**2,868,084**	2,063,617
	16,141,477	21,899,784
Less: provision for impairment (see note 16.3)	**(58,220)**	(54,875)
	16,083,257	21,844,909

16.1 A Group subsidiary was required historically to provide retail gasoline at a fixed price in the UAE. During the year 2015, the UAE Ministry of Energy announced a new pricing policy linked to global oil prices. Since 1 August 2015, the prices of retail gasoline and diesel are set based on the average of international fuel price trackers and an addition of a margin for distribution companies.

Included in the amounts receivable from the Government, MOF and other related parties is an amount of AED 5,968,053 thousand (2017: AED 7,805,553 thousand) due from the Government representing a receivable in respect of such cost overruns.

The outstanding receivable is subject to interest at the rate of EIBOR plus margin.

16.2 Movement in advance lease rentals:

	2018 ***AED'000***	*2017* *AED'000*
Balance at the beginning of the year	**5,840,722**	4,814,529
Additions during the year	**175,444**	1,537,658
Charge for the year (see note 8)	**(600,348)**	(513,063)
Translation differences - net	**(211)**	1,598
At 31 December	**5,415,607**	5,840,722

Advance lease rentals are reflected in the consolidated statement of financial position as follows:

	2018 ***AED'000***	*2017* *AED'000*
Within one year – current portion (see note 18)	**602,492**	588,093
After one year – non-current portion	**4,813,115**	5,252,629
	5,415,607	5,840,722

Advance lease rentals are non - refundable in the event that such a lease is terminated prior to its expiry.

16 OTHER NON-CURRENT ASSETS (continued)

16.3 Movements in allowance for impairment during the year are as follows:

	2018 AED'000	2017 AED'000
Balance at the beginning of the year	**54,875**	61,773
Allowance for impairment made during the year (see note 4)	**10,020**	-
Reversal of impairment during the year - net of recoveries (see note 4)	**-**	(3,720)
Amounts written-off during the year	**(5,417)**	(8,430)
Translation differences - net	**(1,258)**	5,252
At 31 December	**58,220**	54,875

Majority of other non-current assets as at the reporting date is neither past due nor impaired.

17 INVENTORIES

	2018 AED'000	2017 AED'000
Finished goods / inventory properties	**5,832,972**	5,391,341
Raw materials	**2,660,709**	1,165,291
Spare parts and consumables	**1,806,645**	1,430,872
Engineering	**531,729**	546,700
Goods in-transit	**766,868**	1,911,712
Consumer goods	**668,296**	498,292
Others	**388,408**	286,060
	12,655,627	11,230,268
Less: provision for slow moving and obsolete inventories	**(1,326,256)**	(144,993)
	11,329,371	11,085,275

18 TRADE AND OTHER RECEIVABLES

	2018 AED'000	2017 AED'000
Trade receivables	**15,808,102**	17,759,906
Prepayments and other receivables	**10,653,926**	10,488,287
Amounts receivable from Government, MOF and other related parties (see note 35(b))	**1,751,280**	1,605,314
Accrued interest receivable	**2,643,263**	1,907,066
Contract receivables	**1,511,584**	1,608,231
Loan receivables (non-banking operations)	**160,888**	184,676
Retention receivables - current portion	**431,618**	422,764
Amounts receivable from associates and joint ventures (see note 35(b))	**1,214,437**	1,145,339
Advance to suppliers	**973,427**	754,088
Advance lease rentals (see note 16.2)	**602,492**	588,093
Operating lease deposits	**462,946**	599,294
Lease acquisition costs	**136,063**	98,170
Finance lease receivables	**40,300**	63,155
	36,390,326	37,224,383
Less: allowance for impairment (see note below)	**(1,542,246)**	(1,371,663)
	34,848,080	35,852,720

18 TRADE AND OTHER RECEIVABLES (continued)

Movements in allowance for impairment of trade receivables, due from related parties, loan receivables (non-banking operations), retention receivables, contract receivables and finance lease receivables during the year are as follows:

	2018 *AED'000*	2017 *AED'000*
Balance at the beginning of the year	**1,371,663**	1,374,899
Impact on adoption of IFRS 9	**142,191**	-
Restated balance at the beginning of the year	**1,513,854**	1,374,899
Allowance for impairment made during the year (see note 4)	**338,985**	308,825
Amounts written-off during the year	**(225,458)**	(125,400)
Reversal of impairment during the year - net of recoveries (see note 4)	**(98,913)**	(242,442)
Arising on business combinations	**2,092**	105
On disposal of a subsidiary	**(3,822)**	-
Translation differences	**15,508**	55,676
At 31 December	**1,542,246**	1,371,663

The credit quality of trade receivables, due from related parties, loan receivables (non-banking operations), retention receivables, contract receivables and finance lease receivables as at the reporting date is as follows:

	2018 *AED'000*	2017 *AED'000*
Neither past due nor impaired	**16,256,039**	18,152,201
Past due but not impaired		
Past due 1 – 90 days	**2,440,735**	2,463,052
Past due 91 – 365 days	**764,394**	835,453
Past due and impaired	**1,457,041**	1,338,679
Less: Allowance for impairment	**(1,542,246)**	(1,371,663)
	19,375,963	21,417,722

The Group does not have significant credit risk concentration on its trade and other receivables, since they arise from diversified businesses that have a large customer base.

19 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	2018 *AED'000*	2017 *AED'000*
Murabaha	**33,827,008**	30,591,525
Ijara	**18,888,088**	17,529,473
Wakala	**17,100,166**	16,687,923
Mudaraba	**763,933**	934,321
Istisna'a	**1,972,869**	2,236,457
Credit cards receivable	**1,331,436**	1,203,012
Sukuk	**185,268**	-
Others	**1,937,673**	1,159,520
	76,006,441	70,342,231
Less: Deferred income	**(2,074,625)**	(2,634,875)
Less: Allowance for impairment (see note below)	**(5,897,054)**	(4,941,320)
Net Islamic financing and investment products	**68,034,762**	62,766,036

19 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

Islamic financing and investment products include AED 994,333 thousand (2017: AED 997,148 thousand) due from Government, MOF and other related parties and AED 14,587,266 thousand (2017: AED 14,741,147 thousand) due from associates and joint ventures (see note 35(b)).

Corporate Ijara assets of AED 2.3 billion (2017: AED 4.8 billion) and Murabaha assets of AED 1.4 billion (2017: AED 2.2 billion) in Emirates NBD PJSC and its subsidiaries (together defined as the "Bank") were securitised for the purpose of the issuance of a Sukuk instrument (see note 27(d)).

	2018 AED'000	*2017 AED'000*
Analysis by economic activity:		
Services and personal loans	**27,950,376**	27,247,731
Construction and real estate	**10,096,117**	11,456,082
Trade	**7,971,047**	6,349,359
Financial services	**22,202,716**	19,667,476
Transport and communication	**390,755**	622,002
Manufacturing	**2,371,589**	1,691,366
Others	**5,023,841**	3,308,215
	76,006,441	70,342,231
Less: Deferred income	**(2,074,625)**	(2,634,875)
Less: Allowance for impairment (see note below)	**(5,897,054)**	(4,941,320)
Net Islamic financing and investment products	**68,034,762**	62,766,036
Disclosed as follows:		
Non-current assets	**24,016,824**	27,795,434
Current assets	**44,017,938**	34,970,602
Net Islamic financing and investment products	**68,034,762**	62,766,036

19.1 The following table sets out information about the credit quality of Islamic financing and investment products at 31 December 2018:

	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit -impaired AED'000***	***Total AED'000***
Gross carrying value:				
Performing	64,999,046	3,526,137	-	68,525,183
Non-performing	-	-	5,406,633	5,406,633
Gross carrying value at 31 December 2018	**64,999,046**	**3,526,137**	**5,406,633**	**73,931,816**
Less: Allowance for impairment (see notes 19.2 and 20.3)	(1,192,430)	(752,725)	(3,951,899)	(5,897,054)
Net carrying value at 31 December 2018	**63,806,616**	**2,773,412**	**1,454,734**	**68,034,762**

19 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

19.1 The following table sets out information about the credit quality of Islamic financing and investment products at 31 December 2018: (continued)

The ageing of Islamic financing and investment products at 31 December 2017 was as follows:

	2017 *AED'000*
Neither past due nor impaired	58,769,730
Past due but not impaired	
Past due 1 – 90 days	2,535,655
Past due 91 – 365 days	274,902
Past due and impaired	6,127,069
Less: Allowance for impairment	
Specific provision	(4,357,656)
Collective provision	(583,664)
Net carrying value at 31 December 2017	62,766,036

19.2 The following table sets out the movement in the allowance for impairment during the year:

	2018				
	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit -impaired AED'000***	***Total AED'000***	*2017 AED'000*
Balance at the beginning of the year	653,664	-	4,287,656	**4,941,320**	5,050,407
Impact on adoption of IFRS 9	740,478	912,169	13,456	**1,666,103**	-
Restated balance at the beginning of the year	1,394,142	912,169	4,301,112	**6,607,423**	5,050,407
Allowance for impairment made during the year - net of recoveries (see note 4)	(201,699)	(159,444)	925,982	**564,839**	574,927
Amounts written off during the year	-	-	(1,275,439)	**(1,275,439)**	(684,147)
Exchange and other adjustments	(13)	-	244	**231**	133
At 31 December	1,192,430	752,725	3,951,899	**5,897,054**	4,941,320

20 LOANS AND RECEIVABLES

Loans and receivables represent the receivables arising from the banking operations of the Group carried out through the Bank. The details of loans and receivables are as follows:

	2018 AED'000	*2017 AED'000*
Overdrafts	**137,047,799**	124,651,482
Time loans	**139,796,441**	134,706,718
Loans against trust receipts	**9,262,543**	7,779,801
Bills discounted	**2,326,177**	2,596,675
Credit card receivables	**6,397,236**	5,767,317
Others	**500,084**	591,617
	295,330,280	276,093,610
Other debt instruments	**-**	51,357
Less: Allowance for impairment (see note below)	**(21,117,025)**	(20,648,034)
Net loans and receivables	**274,213,255**	255,496,933
Disclosed as follows:		
Non-current assets	**91,576,692**	90,545,706
Current assets	**182,636,563**	164,951,227
Net loans and receivables	**274,213,255**	255,496,933

Loans and receivables include AED 152,340,728 thousand (2017: AED 141,840,943 thousand) due from Government, MOF and other related parties and AED 327,119 thousand (2017: AED 420,953 thousand) due from associates and joint ventures (see note 35(b)).

As at 31 December 2018, corporate loans and receivables of AED 1,044,417 thousand (2017: AED 1,263,970 thousand) have been securitised for the purpose of the issuance of a borrowing under a loan securitisation agreement. The associated liability has been included under "debt issued and other borrowed funds" (see note 27(a)).

	2018 AED'000	*2017 AED'000*
Analysis by segment:		
Corporate banking	**237,656,475**	221,672,020
Consumer banking	**36,556,780**	33,772,980
Treasury	**-**	20,471
Others	**-**	31,462
Net loans and receivables	**274,213,255**	255,496,933
Analysis by economic activity:		
Services (includes financial services)	**18,126,750**	18,388,352
Personal	**39,302,586**	35,315,689
Sovereign	**150,269,100**	139,025,370
Construction and real estate	**42,858,670**	40,830,381
Manufacturing	**5,991,431**	5,601,206
Trade	**17,154,292**	13,895,877
Transport and communication	**1,578,958**	2,355,244
Others	**20,048,493**	20,732,848
Gross loans and receivables	**295,330,280**	276,144,967
Less: Allowance for impairment (see note below)	**(21,117,025)**	(20,648,034)
Net loans and receivables	**274,213,255**	255,496,933

20 LOANS AND RECEIVABLES (continued)

20.1 The following table sets out information about the credit quality of loans and receivables at 31 December 2018:

	2018			
	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit -impaired AED'000*	*Total AED'000*
Gross carrying value:				
Performing	269,998,364	9,409,715	-	279,408,079
Non-performing	-	-	15,922,201	15,922,201
Gross carrying value at 31 December 2018	**269,998,364**	**9,409,715**	**15,922,201**	**295,330,280**
Less: Allowance for impairment (see notes 20.2 and 20.3)	(3,928,737)	(1,639,483)	(15,548,805)	(21,117,025)
Net carrying value at 31 December 2018	**266,069,627**	**7,770,232**	**373,396**	**274,213,255**

The ageing of loans and receivables at 31 December 2017 was as follows:

	2017 AED'000
Neither past due nor impaired	253,075,519
Past due but not impaired	
Past due 1 – 90 days	5,817,039
Past due 91 – 365 days	2,479,463
Past due and impaired	14,772,946
Less: Allowance for impairment	
Specific provision	(13,620,650)
Collective provision	(7,027,384)
Net carrying value at 31 December 2017	255,496,933

20.2 The following table sets out the movement in the allowance for impairment during the year:

	2018				
	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit -impaired AED'000*	*Total AED'000*	*2017 Total AED'000*
Balance at the beginning of the year	7,027,384	-	13,620,650	**20,648,034**	19,593,196
Impact on adoption of IFRS 9	(3,427,381)	1,652,871	2,522,864	**748,354**	-
Restated balance at the beginning of the year	3,600,003	1,652,871	16,143,514	**21,396,388**	19,593,196
Allowance for impairment made during the year - net of recoveries (see note 4)	328,734	(13,388)	1,280,402	**1,595,748**	1,704,447
Amounts written off during the year	-	-	(1,873,405)	**(1,873,405)**	(648,282)
Exchange and other adjustments	-	-	(1,706)	**(1,706)**	(1,327)
At 31 December	3,928,737	1,639,483	15,548,805	**21,117,025**	20,648,034

20.3 This includes ECL on unfunded exposures amounting to AED 505 million in Stage 1 (exposure of AED 81,355 million), AED 20 million in Stage 2 (exposure of AED 3,339 million) and AED 1 million in Stage 3 (exposure of AED 2,228 million). Unfunded exposure includes guarantees, standby letter of credits and undrawn loan commitments.

21 CASH AND DEPOSITS WITH BANKS

	2018 AED'000	2017 AED'000
Banking operations		
Cash and deposits with Central Banks (as defined below)		
Cash	**3,307,930**	3,624,504
Interest bearing placements with Central Banks	**267,718**	1,118,141
Murabahas and interest bearing certificates of deposits with Central Banks	**48,901,963**	35,127,294
Statutory and other deposits with Central Banks	**32,135,965**	31,982,679
Less: Allowance for impairment	**(9,260)**	-
Total (A)	**84,604,316**	71,852,618
Due from other banks		
Overnight, call and short notice	**4,999,649**	11,803,416
Time loans	**35,010,651**	37,943,014
Less: Allowance for impairment	**(103,047)**	(20,295)
Total (B)	**39,907,253**	49,726,135
Total (C = A+B)	**124,511,569**	121,578,753
Non-banking operations		
Cash at banks and in hand	**7,401,900**	8,467,569
Short-term deposits	**16,810,831**	22,773,778
Placements with banks and other financial institutions	**1,314,797**	1,085,874
Less: Allowance for impairment	**(161)**	-
Total (D)	**25,527,367**	32,327,221
Total (C+D)	**150,038,936**	153,905,974
Disclosed as follows:		
Non-current assets	**2,746,014**	1,721,688
Current assets	**147,292,922**	152,184,286
	150,038,936	153,905,974

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents have been computed as explained below:

	2018 AED'000	2017 AED'000
Cash and deposits with banks - current	**147,292,922**	152,184,286
Islamic financing and investment products with original maturity of less than three months (non-banking operations)	**3,066,396**	2,414,740
Due to banks (see note 27)	**(22,339,668)**	(21,311,192)
Bank overdrafts (see note 27)	**(117,302)**	(247,076)
	127,902,348	133,040,758
Due to banks with original maturity of more than three months	**5,879,038**	5,516,743
Deposits with Central Banks for regulatory purposes	**(32,135,965)**	(31,982,679)
Murabaha and interest bearing certificates of deposits with Central Banks with original maturity of more than three months	**(27,300,000)**	(13,119,093)
Due from other banks and deposits with other banks with original maturity of more than three months	**(33,139,283)**	(35,132,543)
Cash and cash equivalents	**41,206,138**	58,323,186

21 CASH AND DEPOSITS WITH BANKS (continued)

Cash and deposits with banks include reserve requirements maintained by the Bank with the Central Bank of the UAE (the "Central Bank") and the various Central banks of countries in which the Bank operates (collectively the "Central Banks"). The reserves placed with the Central Banks are not available for use in the Bank's day-to-day operations and cannot be withdrawn without the approval of the Central Banks. The level of reserves required changes periodically in accordance with the directives of the Central Banks.

Cash and deposits with banks includes AED 3,227,134 thousand (2017: AED 6,354,166 thousand) due from associates, joint ventures, and other related parties (see note 35(b)).

22 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Aircraft held for sale

As at 31 December 2018, a Group subsidiary had entered into agreements for the sale of sixteen aircraft and one forward order which met the criteria of IFRS 5 to be classified as held for sale (2017: agreement for the sale of one aircraft).

23 CAPITAL

Capital represents the permanent capital provided by the Government and subsequent contributions in cash or in kind by the Government, less returns made by ICD in cash or in kind. The movement in the capital of ICD during the year is as follows:

	2018 ***AED'000***	*2017* *AED'000*
Balance at the beginning of the year	**64,530,179**	65,329,584
Freehold land contributed by the Government (see note 23.1)	**1,200,100**	784,480
Capital contribution by the Government	**19,381**	-
Return of capital to the Government (see note 23.2)	**(1,180,243)**	(1,583,885)
At 31 December	**64,569,417**	64,530,179

23.1 This represents a capital contribution in the form of plots of land (classified as Investment properties), which was made by the Government to the Group. The plots of land were transferred at their fair value established using valuations from an independent qualified appraiser.

23.2 During the current year, the Group transferred to the Government a plot of land with a carrying value of AED 1,180,243 thousand (2017: certain plots of land with a carrying value of AED 1,583,885 thousand). This was accounted for as a return of capital.

24 DISTRIBUTIONS TO THE GOVERNMENT

During the year ended 31 December 2018, distributions of AED 6,171,122 thousand (2017: AED 4,284,594 thousand) were made to the Government.

25 OTHER RESERVES

	Legal and Statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cumulative changes in fair value AED'000*	*Hedge reserve AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Treasury shares AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2018	2,983,799	1,016,791	9,179,312	2,741,434	(951,207)	812,703	5,228	(1,715,096)	(299,042)	(38,294)	13,735,628
Impact on adoption of IFRS 9	(108,328)	-	-	(3,652,836)	(39,396)	-	-	-	-	-	(3,800,560)
Impact on adoption of IFRS 15	-	-	-	-	-	-	-	(222,186)	-	-	(222,186)
Restated balance at 1 January 2018	2,875,471	1,016,791	9,179,312	(911,402)	(990,603)	812,703	5,228	(1,937,282)	(299,042)	(38,294)	9,712,882
Unrealised loss on fair value of investment securities at FVOCI (net)	-	-	-	(850,878)	-	-	-	-	-	-	(850,878)
Unrealised loss on fair value of hedging instruments (net)	-	-	-	-	(58,577)	-	-	-	-	-	(58,577)
Share in other comprehensive (loss) / gain of equity accounted investees (net)	-	-	-	(161,210)	82,041	-	-	(464,416)	-	-	(543,585)
Foreign currency translation differences (net)	-	-	-	-	-	-	-	(250,522)	-	-	(250,522)
Reserves transferred to consolidated income statement	-	-	-	4,290	52,464	-	-	-	-	-	56,754
Other comprehensive (loss) / income during the year	-	-	-	(1,007,798)	75,928	-	-	(714,938)	-	-	(1,646,808)
Transfers from retained earnings (net)	45,059	31,153	-	-	-	167,944	4,301	-	-	-	248,457
Change in Group's ownership in existing subsidiaries	3	-	-	-	(48)	-	-	(5,240)	-	(242)	(5,527)
Transfers upon disposal of equity instruments measured at FVOCI	-	-	-	132,614	-	-	-	-	-	-	132,614
Other movements	4	(43,556)	(2,282)	(11,211)	1	-	-	13	-	69,900	12,869
Total at 31 December 2018	**2,920,537**	**1,004,388**	**9,177,030**	**(1,797,797)**	**(914,722)**	**980,647**	**9,529**	**(2,657,447)**	**(299,042)**	**31,364**	**8,454,487**

25 OTHER RESERVES (continued)

	Legal and Statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cumulative changes in fair value AED'000*	*Hedge reserve AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Treasury shares AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2017	2,864,243	1,422,329	9,179,312	2,800,397	(1,185,106)	655,861	13,180	(2,238,749)	(74,014)	(372,782)	13,064,671
Unrealised loss available-for-sale investments	-	-	-	(49,329)	-	-	-	-	-	-	(49,329)
Unrealised gain on hedging instruments (net)	-	-	-	-	129,581	-	-	-	-	-	129,581
Share in other comprehensive gain of equity accounted investees (net)	-	-	-	106,529	5,406	-	-	238,611	-	-	350,546
Foreign currency translation differences (net)	-	-	-	-	-	-	-	285,021	-	-	285,021
Reserves transferred to consolidated income statement	-	-	-	(116,163)	100,044	-	-	-	-	-	(16,119)
Other comprehensive (loss) / income during the year	-	-	-	(58,963)	235,031	-	-	523,632	-	-	699,700
Transfers from / (to) retained earnings and non-controlling interests (net)	119,555	993	-	-	-	156,842	(7,952)	293	-	1,481	271,212
Change in Group's ownership in existing subsidiaries	-	-	-	-	(1,132)	-	-	(283)	-	110	(1,305)
Purchase of own shares by a subsidiary	-	-	-	-	-	-	-	-	(299,068)	-	(299,068)
Other movements	1	(406,531)	-	-	-	-	-	11	74,040	332,897	418
Total at 31 December 2017	2,983,799	1,016,791	9,179,312	2,741,434	(951,207)	812,703	5,228	(1,715,096)	(299,042)	(38,294)	13,735,628

25 OTHER RESERVES (continued)

Legal and statutory reserve

This mainly includes transfer of 10% of annual profit for the year to a non-distributable legal reserve of various entities in the Group in accordance with the Articles of Association and the UAE Federal Law No. (2) of 2015, as applicable, and such transfers may be discontinued when the reserve equals 50% of the paid up capital of the respective entities incorporated under the UAE Federal Law No. (2) of 2015. The transfer of legal and statutory reserve made in the consolidated statement of changes in equity represents the transfers made by the entities net of reclassification/disposals.

Capital reserve

This represents the Group's share of reserves capitalised by certain subsidiaries of the Group. This reserve is non-distributable.

Merger reserve

Merger reserve includes amounts relating to:

- Borse Dubai Limited
- Emirates NBD PJSC
- Aswaaq LLC
- National Bonds Corporation PJSC

Borse Dubai

In 2007, the Government transferred the ownership of Dubai Financial Market ("DFM") (80% shareholding) and NASDAQ Dubai Limited ("NASDAQ Dubai") (100% shareholding) to Borse Dubai Limited ("Borse Dubai"), without any consideration. This transaction was a common control transaction and accounted for under the pooling of interests method. Since no consideration was paid by Borse Dubai for the acquisition of DFM and NASDAQ Dubai, the entire amount of issued and paid up share capital of the two entities was recognised as merger reserve in equity in these consolidated financial statements.

Emirates NBD PJSC

In 2007, the merger of Emirates Bank International PJSC and National Bank of Dubai PJSC into Emirates NBD PJSC resulted in the recognition of a merger reserve of AED 3,460,860 thousand.

Aswaaq LLC

In accordance with the Emiri Decree No. 35 of 2011 passed by the Government, a 99% ownership interest in Aswaaq LLC ("Aswaaq"), a limited liability company registered in the Emirate of Dubai on 12 October 2009 under the UAE Commercial Companies Law of 1984 (as amended) was transferred to ICD for a consideration of AED 99,000 thousand. This transaction was a common control transaction and was accounted for under the pooling of interests method. Accordingly, the excess of consideration over the book value of net assets, amounting to AED 91,827 thousand was recognised as merger reserve.

National Bonds Corporation PJSC

During prior years, the shareholders of National Bonds Corporation PJSC other than the Group, transferred their entire shareholding in National Bonds Corporation PJSC to the Group. This transaction was a common control transaction and was accounted for under the pooling of interests method. Accordingly, the excess of consideration over the book value of net assets, amounting to AED 595,639 thousand was recognised as merger reserve.

Cumulative changes in fair value

Cumulative changes in fair value comprises the cumulative net changes in the fair value of investment securities measured at FVOCI (2017: cumulative net change in the fair value of available-for-sale investments) until the investments are derecognised or impaired.

Translation reserve

The translation reserve comprises of foreign currency exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investments in foreign operations.

26 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the employees' end of service benefits recognised in the consolidated statement of financial position are as follows:

	2018 *AED'000*	*2017* *AED'000*
Balance at beginning of the year	**3,626,749**	3,174,166
Provision made during the year	**1,406,782**	1,311,969
End of service benefits paid	**(1,112,552)**	(1,029,246)
Actuarial (gain) / loss on defined benefit plans	**(52,593)**	36,007
Arising on business combinations	**49,379**	118,360
On disposal of a subsidiary	**(5,075)**	-
Other movements - net	**3,042**	15,493
At 31 December	**3,915,732**	3,626,749
Less: non-current portion	**(3,901,593)**	(3,610,298)
Current portion	**14,139**	16,451

Employees' Pension Scheme
Eligible UAE National employees of the Group are entitled to join the pension scheme operated for UAE National employees by the UAE General Pension and Social Security Authority (the "Pension Authority"). Contributions for the period for eligible UAE National employees made to the Pension Authority, in accordance with the provisions of Federal Law No. (7) of 1999 relating to Pension and Social Security, were charged to the consolidated income statement.

Defined benefit obligations
In accordance with the provisions of IAS 19, an exercise to assess the present value of its defined benefit obligations at 31 December is carried out, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 2% - 8% (2017: 2% - 5%) per annum and a discount rate of 1.8% - 4.5% (2017: 1.70% - 4.10%) per annum. The present values of the defined benefit obligations at 31 December were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2018 *AED'000*	*2017* *AED'000*
Present value of funded defined benefit obligations	**3,740,681**	3,765,142
Less: Fair value of plan assets (see note (i) above)	**(3,369,271)**	(3,418,992)
	371,410	346,150
Present value of unfunded defined benefit obligations	**3,544,322**	3,280,599
Employees' end of service benefits provision (see note above)	**3,915,732**	3,626,749

(i) Funded schemes
Senior employees in certain subsidiaries based mainly in the UAE, participate in a defined benefit provident scheme (the "Fund") to which these subsidiaries contribute a specified percentage of basic salary based upon the employee's grade and duration of service. Amounts contributed are invested in a trustee administered scheme and accumulate along with returns earned on investments. Contributions are made on a regular basis irrespective of the Fund's performance and are not pooled, but are separately identifiable and attributable to each participant. The Fund comprises of a diverse mix of managed funds, and investment decisions are controlled directly by the participating employees.

Benefits receivable under the provident scheme are subject to vesting rules that are dependent upon the participating employee's length of service. If at the time when an employee leaves employment, the accumulated vested amount including investment returns is less than the end of service benefits that would have been payable to that employee under relevant local regulations, the Group pays the shortfall amount directly to the employee. However, if the accumulated vested amount exceeds the end of service benefits that would have been payable to an employee under relevant local regulations, the employee receives a defined percentage of their fund balance. Vested assets of the scheme are not available to the Group or its creditors in any circumstances.

26 EMPLOYEES' END OF SERVICE BENEFITS (continued)

(i) Funded schemes (continued)

Movements in the fair value of the plan assets in respect of the funded schemes are as follows:

	2018 ***AED'000***	*2017* *AED'000*
At the beginning of the year	**3,418,992**	2,900,558
Contributions made	**401,210**	388,690
Benefits paid	**(275,055)**	(226,199)
Fair value gain / (loss) - net	**(166,497)**	293,916
Other movements	**(9,379)**	62,027
At 31 December	**3,369,271**	3,418,992

Actuarial gains and losses and expected returns on plan assets are not calculated given that investment decisions relating to plan assets are under the direct control of participating employees.

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans, follow relevant local regulations, and are mainly based on the period of cumulative service and the employees' final basic salary level.

27 BORROWINGS AND LEASE LIABILITIES

	Notes	***2018*** ***AED'000***	*2017* *AED'000*
Banking operations			
Non-current liabilities			
Debt issued and other borrowed funds	27(a)	**33,739,109**	35,708,378
Due to banks (see note 21)	27(b)	**2,990,194**	998,957
Sukuk payable	27(d)	**3,685,160**	3,690,399
(A)		**40,414,463**	40,397,734
Current liabilities			
Debt issued and other borrowed funds	27(a)	**6,976,121**	4,080,470
Due to banks (see note 21)	27(b)	**19,349,474**	20,312,235
Sukuk payable	27(d)	**-**	1,836,251
(B)		**26,325,595**	26,228,956
Total (A+B)		**66,740,058**	66,626,690
Non-banking operations			
Non-current liabilities			
Bank borrowings	27(c)	**40,631,934**	40,312,279
Bonds (including Sukuk)	27(d)	**23,565,915**	21,939,396
Finance lease liabilities	27(e)	**37,881,348**	35,115,962
Loan from Government, MOF and other related parties (see note 35(b))	27(c)	**9,432,222**	9,438,847
Loans from associates and joint ventures (see note 35(b))	27(c)	**10,443,117**	8,961,525
(C)		**121,954,536**	115,768,009

27 BORROWINGS AND LEASE LIABILITIES (continued)

	Notes	*2018 AED'000*	*2017 AED'000*
Current liabilities			
Bank borrowings	27(c)	**11,427,833**	17,020,448
Bonds (including Sukuk)	27(d)	**8,214,436**	5,557,739
Finance lease liabilities	27(e)	**5,575,770**	9,219,596
Loans from Government, MOF and other related parties (see note 35(b))	27(c)	**957,774**	957,730
Loans from associates and joint ventures (see note 35(b))	27(c)	**464,729**	2,204,391
Bank overdrafts (see note 21)		**117,302**	247,076
(D)		**26,757,844**	35,206,980
Total (C+D)		**148,712,380**	150,974,989
Disclosed as follows:			
Non-current liabilities (A+C)		**162,368,999**	156,165,743
Current liabilities (B+D)		**53,083,439**	61,435,936
Total borrowings and lease liabilities		**215,452,438**	217,601,679

The above interest / profit bearing loans and lease liabilities are denominated in various currencies.

a) Debt issued and other borrowed funds

	2018 AED'000	*2017 AED'000*
Medium-term note programme *	**32,359,770**	32,098,003
Term loans from banks	**7,311,043**	6,426,875
Borrowing raised from loan securitisations (see note 20)	**1,044,417**	1,263,970
	40,715,230	39,788,848

*Includes Tier 2 notes of the Bank amounting to AED 146 million (2017: AED 3,752 million) raised through public and private placements.

The repayment profile of the above liabilities is as follows:

	2018 AED in millions	*2017 AED in millions*
2018	**-**	4,080
2019	**6,976**	13,251
2020	**8,719**	7,203
2021	**10,094**	1,726
2022	**7,816**	7,877
2023	**1,555**	3,679
2024	**348**	529
2025	**710**	160
2026	**159**	125
2027	**743**	755
2028	**1,370**	-
Beyond 2028	**2,225**	404
	40,715	39,789

The interest rate paid on the above averaged 3.53% per annum for the year ended 31 December 2018 (2017: 3.17% per annum).

27 BORROWINGS AND LEASE LIABILITIES (continued)

b) Due to banks

	2018	*2017*
	AED'000	*AED'000*
Demand and call deposits	**2,277,365**	2,178,650
Balances with correspondent banks	**1,611,125**	1,385,690
Time and other deposits	**18,215,472**	17,388,782
Repurchase agreements with banks	**235,706**	358,070
	22,339,668	21,311,192

The interest rates paid on the above averaged 2.11% per annum for the year ended 31 December 2018 (2017: 1.43% per annum).

c) Borrowings from banks, Government, MOF, associates, joint ventures and other related parties

Included under this category are:

- Conventional syndicated facilities of AED 2,554,125 thousand (2017: AED 2,307,025 thousand which were fully repaid in 2018) repayable in 2023 and carrying a margin over LIBOR.

- Ijara syndicated facilities of AED 1,286,250 thousand (2017: AED 529,344 thousand which were fully repaid in 2018) repayable in 2023 and carrying a margin over LIBOR.

- Bilateral facilities of AED 3,674,500 thousand (2017: AED 3,674,500 thousand) repayable over the period up to 2022 and carrying a margin over EIBOR and LIBOR.

- Secured borrowing facilities of AED 9,846,432 thousand (2017: AED 13,049,428 thousand) repayable over the period up to 2026 and carrying a margin over EIBOR and LIBOR.

- Murabaha and credit facility of AED 3,413,075 thousand (2017: AED 3,288,155 thousand) repayable over the period up to 2033. The facilities consists of AED 303,463 thousand (2017: AED Nil) carrying a fixed rate of interest and AED 3,109,612 thousand (2017: AED 3,288,155 thousand) carrying a margin over LIBOR.

- Term loan facilities of AED 23,018,533 thousand (2017: AED 29,204,906 thousand) repayable from one to twelve years with principal repayment either in instalments or as a balloon payment at the end of the term of the facility. The facilities consist of AED 10,568,529 thousand (2017: AED 15,994,505 thousand) carrying a fixed rate of interest and AED 12,450,004 thousand (2017: AED 13,210,401 thousand) carrying a margin over LIBOR, EIBOR or MIDSWAP.

- Term loan facility from the MOF of AED 9,187,500 thousand (2017: AED 9,187,500 thousand), repayable in 2020 and carries a margin over EIBOR.

- Term loan facility of AED 1,441,571 thousand repayable over the period up to 2030 (2017: AED 1,059,030 thousand repayable up to 2029). The facility consists of AED 720,785 thousand (2017: AED 529,515 thousand) carrying a fixed rate of interest and AED 720,786 thousand (2017: AED 529,515 thousand) carrying a margin over LIBOR.

- Term loan facility of AED 9,989,508 thousand, repayable over the period up to 2029 (2017: AED 5,555,383 thousand repayable up to 2030) and carrying a margin over EIBOR and LIBOR.

- Wakala deposit of AED 955,782 thousand from Department of Finance of the Government (2017: AED 955,782 thousand) carrying a fixed rate of profit. The Group had an option to extend the tenor for up to two additional one-year periods after 31 December 2017. Subsequent to the year ended 31 December 2018, the Group exercised the one-year option that extends the maturity date to 31 December 2019.

27 BORROWINGS AND LEASE LIABILITIES (continued)

c) Borrowings from banks, Government, MOF, associates, joint ventures and other related parties (continued)

- Murabaha facility of AED 3,528,000 thousand (2017: AED 3,528,000 thousand) repayable over the period up to 2021 and carrying a margin over LIBOR.
- Murabaha facility of AED 750,000 thousand (2017: AED 750,000 thousand) repayable in 2021 and carrying a margin over EIBOR.
- Term loan facility of AED 531,170 thousand (2017: AED 528,604 thousand) repayable in 2022 and carrying a margin over LIBOR.
- Syndicated loan facility of AED 477,000 thousand (2017: AED 198,001 thousand) repayable over the period up to 2026 and carrying a margin over EIBOR.
- Islamic and conventional syndicated facilities of AED 1,228,697 thousand (2017: AED 369,702 thousand) repayable by 2025 and carrying a margin over LIBOR and EIBOR.
- Murabaha syndicated facilities of AED 718,519 thousand as at 31 December 2017, which was repayable in 2018 and carrying a margin over EIBOR and LIBOR. During the current year, these facilities were repaid in full.
- Syndicated facilities of AED 2,027,827 thousand as at 31 December 2017, which was repayable in 2018 and carrying a margin over EIBOR and LIBOR. During the current year, these facilities were repaid in full.
- Mudaraba facility of AED 679,875 thousand as at 31 December 2017, which was repayable in 2021 and carrying a fixed rate of profit. During the current year, this facility was repaid in full.

The effective interest rate paid on the above averaged 4.0% per annum for the current year (2017: 4.0% per annum). These loans are mainly denominated in AED and USD.

d) Bonds (including Sukuk)

	2018 AED'000	*2017 AED'000*
These instruments are denominated in the following currencies:		
US Dollar (see note (i) below)	**29,720,774**	27,806,588
UAE Dirham ((ii))	**5,771,320**	5,236,472
	35,492,094	33,043,060
Less: transaction costs	**(26,583)**	(19,275)
	35,465,511	33,023,785

These bonds (including sukuk) have been issued at fixed coupon rates varying from 3.5% to 5.75% (2017: 3% to 5%).

i) US Dollar denominated bonds with outstanding face value of USD 4,166,348 thousand (2017: USD 4,221,070 thousand) and USD 3,866,721 thousand (2017: USD 3,335,710 thousand) are of Islamic (sukuk) and conventional formats respectively. These bonds are repayable either semi-annually or as a bullet payment upon their relevant maturities over the period up to 2028 (2017: period up to 2027).

ii) UAE Dirham denominated bonds of AED 5,771,320 thousand (2017: AED 5,236,472 thousand) issued by one of the subsidiaries of the Group under a Shari'ah compliant open ended investment fund is repayable on demand to bond holders.

27 BORROWINGS AND LEASE LIABILITIES (continued)

e) Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future lease payments AED'000	***Interest component AED'000***	***Present value of minimum lease payments AED'000***
31 December 2018:			
Less than one year	**7,076,753**	**(1,500,980)**	**5,575,773**
Between one and five years	**24,840,386**	**(4,043,408)**	**20,796,978**
More than five years	**19,356,165**	**(2,271,798)**	**17,084,367**
	51,273,304	**(7,816,186)**	**43,457,118**

	Future lease payments AED'000	*Interest component AED'000*	*Present value of minimum lease payments AED'000*
31 December 2017:			
Less than one year	10,449,187	(1,231,977)	9,217,210
Between one and five years	23,648,945	(3,538,075)	20,110,870
More than five years	16,805,946	(1,798,468)	15,007,478
	50,904,078	(6,568,520)	44,335,558

The carrying value of lease liabilities approximate their fair value. The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spreads. The fair value of lease liabilities falls into level 2 of the fair value hierarchy.

The effective interest rate on finance lease liabilities for the current year was 3.6% (2017: 2.9%).

f) Securities

The significant securities provided against the borrowings are as follows:

- First mortgage over applicable property, plant and equipment;
- Assignment of insurance policies and earnings from applicable property, plant and equipment;
- Negative pledge whereby the relevant subsidiaries of the Group shall not create or permit to subsist any security on any of the applicable property, plant and equipment to third parties;
- Confirmation from a Group entity that it shall not merge or amalgamate or sell its assets, except in the ordinary course of business, without prior approval of the concerned banks;
- Confirmation from a Group entity that prior consent of the lenders will be obtained before effecting any change in its ownership and/or sale of significant assets; and
- Certain applicable real estate assets of the Group have been designated to support issuance of borrowings in the form of Ijara.

28 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the positive and negative fair values of derivative financial instruments together with notional amounts analysed by term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor of the credit risk.

2018

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts* Total AED'000	*<1year AED'000*	*>1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	669,009	(616,778)	242,996,639	214,784,084	28,212,555
Foreign exchange options	11,893	(12,085)	29,892,425	23,281,925	6,610,500
Interest rate swaps / caps	2,575,605	(2,224,763)	224,289,571	66,603,902	157,685,669
	3,256,507	**(2,853,626)**	**497,178,635**	**304,669,911**	**192,508,724**
Derivatives held as cash flow hedges:					
Interest rate swaps	**296,268**	**(56,492)**	**12,292,209**	**367,250**	**11,924,959**
Derivatives held as fair value hedges:					
Interest rate swaps	**105,268**	**(857,630)**	**5,613,986**	**1,412,018**	**4,201,968**
Derivatives held as hedge of a net investment in foreign operations:					
Foreign exchange forward contracts	**12,849**	**-**	**271,033**	**271,033**	**-**
(A)	**3,670,892**	**(3,767,748)**	**515,355,863**	**306,720,212**	**208,635,651**
Non-banking operations					
Derivatives held for trading:					
Debt equity swaps	2,591	-	2,591	2,591	-
Commodity contracts swaps and futures	495,357	-	15,583,591	15,583,591	-
	497,948	**-**	**15,586,182**	**15,586,182**	**-**
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	14,458	(10,631)	2,532,376	2,532,376	-
Interest rate swaps	142,432	(105,587)	14,265,648	3,377,337	10,888,311
	156,890	**(116,218)**	**16,798,024**	**5,909,713**	**10,888,311**
Derivatives held as fair value hedges:					
Interest rate swaps	**-**	**(12,161)**	**646,947**	**94,098**	**552,849**
(B)	**654,838**	**(128,379)**	**33,031,153**	**21,589,993**	**11,441,160**
Total (A+B)	**4,325,730**	**(3,896,127)**	**548,387,016**	**328,310,205**	**220,076,811**

28 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

2017

	Positive fair value AED'000	Negative fair value AED'000	Notional amounts Total AED'000	Notional amounts <1year AED'000	Notional amounts >1 year AED'000
<u>Banking operations</u>					
Derivatives held for trading:					
Foreign exchange forward contracts	712,127	(606,968)	162,459,678	137,181,935	25,277,743
Foreign exchange options	14,637	(14,582)	21,678,528	6,458,910	15,219,618
Interest rate swaps / caps	1,679,834	(1,297,513)	232,222,299	78,435,248	153,787,051
Commodity options	29,586	(29,585)	811,054	811,054	-
	2,436,184	(1,948,648)	417,171,559	222,887,147	194,284,412
Derivatives held as cash flow hedges:					
Interest rate swaps	379,847	(48,092)	11,761,739	3,786,150	7,975,589
Derivatives held as fair value hedges:					
Interest rate swaps	35,489	(246,596)	6,470,889	104,666	6,366,223
Derivatives held as hedge of a net investment in foreign operations:					
Foreign exchange forward contracts	-	(9,159)	355,989	355,989	-
(A)	2,851,520	(2,252,495)	435,760,176	227,133,952	208,626,224
<u>Non-banking operations</u>					
Derivatives held for trading:					
Debt equity swaps	221,312	-	221,312	9,474	211,838
Commodity contracts swaps and futures	31,726	(380,664)	27,549,417	27,549,417	-
	253,038	(380,664)	27,770,729	27,558,891	211,838
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	-	(27,358)	2,507,259	2,507,259	-
Commodity forward contracts	-	(665)	-	-	-
Interest rate swaps	50,837	(111,662)	8,228,374	344,145	7,884,229
	50,837	(139,685)	10,735,633	2,851,404	7,884,229
Derivatives held as fair value hedges:					
Interest rate swaps	34,688	(12,114)	4,503,977	1,709,797	2,794,180
(B)	338,563	(532,463)	43,010,339	32,120,092	10,890,247
Total (A+B)	3,190,083	(2,784,958)	478,770,515	259,254,044	219,516,471

28 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Disclosed as follows:

	2018 ***AED'000***	*2017* *AED'000*
Positive fair value of derivatives:		
Non-current assets	**2,298,225**	1,966,517
Current assets	**2,027,505**	1,223,566
Total	**4,325,730**	3,190,083
Negative fair value of derivatives:		
Non-current liabilities	**(2,016,038)**	(1,668,404)
Current liabilities	**(1,880,089)**	(1,116,554)
Total	**(3,896,127)**	(2,784,958)
Net fair value of derivatives (see note 15)	**429,603**	405,125

29 OTHER NON-CURRENT PAYABLES

	2018 ***AED'000***	*2017* *AED'000*
Deferred revenue	**1,779,058**	1,553,389
Provision for aircraft return conditions	**2,792,994**	2,825,821
Deferred credits (non-current portion)	**2,516,385**	2,698,490
Retention payable (non-current portion)	**279,388**	227,300
Maintenance reserve and security deposits (see note 34 (b))	**4,073,749**	4,301,150
Provision for construction warranty	**141,837**	142,502
Amounts due to Government, MOF and other related parties (see note 35 (b))	**24,765**	26,738
Other provisions	**319,932**	113,259
Cylinder replacement costs	**23,193**	20,823
Rehabilitation liabilities	**-**	235,556
Others	**432,280**	960,748
	12,383,581	13,105,776

30 TRADE AND OTHER PAYABLES

	2018 AED'000	2017 AED'000
Trade payables	**28,369,648**	25,816,228
Passenger and cargo sales in advance	**10,854,947**	11,050,231
Accrued interest / profit payable	**2,686,182**	1,914,947
Advance from customers	**2,082,017**	2,052,353
Amounts due to associates and joint ventures (see note 35(b))	**1,081,040**	999,983
Amounts due to Government, MOF and other related parties (see note 35(b))	**322,622**	575,317
Managers' cheques	**1,238,897**	1,350,049
Abandonment and decommissioning liability	**236,549**	125,803
Deferred revenue	**2,627,444**	3,260,316
Deferred credits (current portion)	**322,145**	313,268
Rehabilitation liabilities	**3,664**	11,653
Excess billings from construction contracts	**266,670**	213,111
Members' margin deposit	**23,568**	38,893
Dividend payable (includes payable on behalf of companies listed on the stock exchange)	**1,004,583**	733,337
Retention payable (current portion)	**446,530**	593,059
Provision for aircraft return conditions	**740,376**	691,320
Maintenance reserve and security deposits	**732,545**	643,254
Other payables, accruals and other provisions	**9,954,349**	9,301,339
	62,993,776	59,684,461

31 CUSTOMER DEPOSITS

	2018 AED'000	2017 AED'000
Demand, call and short notice	**112,445,993**	113,870,097
Time	**133,819,096**	107,950,235
Savings	**26,737,564**	26,269,769
Others	**6,457,006**	6,741,332
	279,459,659	254,831,433
Disclosed as follows:		
Non-current liabilities	**9,299,577**	7,576,160
Current liabilities	**270,160,082**	247,255,273
	279,459,659	254,831,433

The interest rates paid on the above deposits averaged 1.38% per annum for the current year (2017: 1.13% per annum).

Customer deposits (including Islamic customer deposits) include AED 3,024,926 thousand (2017: AED 2,891,100 thousand) deposits from Government, MOF and other related parties and AED 366,043 thousand (2017: AED 636,983 thousand) deposits from associates and joint ventures (see note 35(b)).

32 ISLAMIC CUSTOMER DEPOSITS

	2018 *AED'000*	*2017* *AED'000*
Time	**28,158,225**	31,813,374
Demand, call and short notice	**14,227,095**	13,673,784
Savings	**10,014,757**	11,025,549
Others	**460,842**	590,803
	52,860,919	57,103,510
Disclosed as follows:		
Non-current liabilities	**438,635**	56,216
Current liabilities	**52,422,284**	57,047,294
	52,860,919	57,103,510

The profit rates paid on the above deposits averaged 1.31% per annum for the current year (2017: 1.04% per annum).

33 NON-CONTROLLING INTERESTS

Tier 1 Capital notes

Non-controlling interests includes three series of regulatory Tier 1 Capital notes ("Capital Notes") issued in 2009 ("2009 Notes"), 2013 ("2013 Notes") and 2014 ("2014 Notes") by the Bank for an amount of AED 4 billion, USD 1 billion (AED 3.65 billion (net of issuance cost)) and USD 500 million (AED 1.83 billion (net of issuance cost)) respectively. The 2009 Notes were issued at a fixed interest rate for the first five years and on a floating rate basis thereafter. The 2013 Notes and 2014 Notes were issued at a fixed interest rate with a reset after six years. These Capital Notes are perpetual, subordinated and unsecured. The Bank can elect not to pay a coupon at its own discretion. Noteholders will not have a right to claim the coupon and such event will not be considered an event of default. These Capital Notes have been classified under equity as "non-controlling interests".

Material partly owned subsidiaries

The financial information of a subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests as at 31 December:

Name	***Country of incorporation***	***2018***	*2017*
Emirates NBD PJSC	UAE	**44.24%**	44.24%

The financial information of the Bank is provided below:

	2018 *AED'000*	*2017* *AED'000*
Balances of material non-controlling interests	**34,138,131**	32,073,452
Profit allocated to material non-controlling interests	**4,774,881**	4,021,493
Dividend / interest paid to material non-controlling interests	**1,576,475**	1,571,004

The above analysis includes Tier 1 capital notes and interest thereon.

The summarised financial information for the Bank is provided below. This information is based on amounts before inter-company eliminations.

33 NON-CONTROLLING INTERESTS (continued)

Material partly owned subsidiaries (continued)

Summarised statement of comprehensive income for the year ended 31 December is set out below:

	2018 AED'000	2017 AED'000
Profit for the year	**10,041,523**	8,345,796
Total comprehensive income	**9,865,456**	8,394,362

Summarised statement of financial position as at 31 December is set out below:

	2018 AED'000	2017 AED'000
Current assets	**352,660,920**	324,501,896
Non-current assets	**147,681,826**	145,870,387
Current liabilities	**380,240,940**	359,843,520
Non-current liabilities	**56,077,443**	51,167,226

Summarised cash flow statement information for the year ended 31 December is set out below:

	2018 AED'000	2017 AED'000
Net cash flows (used in) / from operating activities	**(12,647,278)**	6,033,178
Net cash flows used in investing activities	**(1,640,995)**	(2,442,198)
Net cash flows used in financing activities	**(2,997,966)**	(3,697,390)
Net decrease in cash and cash equivalents	**(17,286,239)**	(106,410)

34 COMMITMENTS AND CONTINGENCIES

(a) Investment commitments

The Group has the following investment commitments as at 31 December:

	2018 AED'000	2017 AED'000
Investment securities	**853,995**	910,019

(b) Operating lease commitments

Group as lessee

	2018 AED'000	2017 AED'000
Within one year	**12,235,350**	12,579,404
After one year but not more than five years	**38,800,512**	40,913,222
More than five years	**30,312,770**	36,623,349
	81,348,632	90,115,975

34 COMMITMENTS AND CONTINGENCIES (continued)

(b) Operating lease commitments (continued)

Group as lessor

	2018 *AED'000*	*2017* *AED'000*
Within one year	**5,604,239**	5,578,823
After one year but not more than five years	**16,167,216**	14,489,037
More than five years	**9,175,852**	7,127,768
	30,947,307	27,195,628

A Group subsidiary acting as a lessor entered into non-cancellable operating leases of aircraft with various operators. These lease have terms up to 2033.

During the term of most aircraft leases, lessees pay an additional amount based on usage to fund the estimated costs of scheduled major maintenance of the airframe and engines. These amounts are accounted for as maintenance reserve and are disclosed under note 29.

(c) Capital commitments

Capital expenditure contracted for and still outstanding at the reporting date, is as follows:

	2018 *AED'000*	*2017* *AED'000*
Capital commitments for the purchase of aircraft:		
Within one year	**9,402,411**	21,162,657
After one year but not more than five years	**120,147,578**	82,365,532
More than five years	**177,095,431**	221,270,022
	306,645,420	324,798,211
Contractual capital commitments in relation to other non-financial assets	**17,824,724**	21,039,694
Group's share of associates' and joint ventures' capital expenditure commitments	**6,220,131**	9,571,427
	330,690,275	355,409,332

(d) Assets held in a fiduciary capacity

The Group's financial services subsidiaries hold assets in a fiduciary capacity and provide custodian services to some of their customers. The underlying assets held in a custodial or fiduciary capacity are excluded from the Group consolidated financial statements.

34 COMMITMENTS AND CONTINGENCIES (continued)

(e) Contingencies

The Group has the following contingent liabilities at the reporting date:

	2018	*2017*
	AED'000	*AED'000*
Letters of credit	**13,798,684**	14,358,163
Financial guarantee	**50,663,968**	49,293,722
Performance bonds	**6,377,945**	5,630,525
Liabilities on risk participation	**593,804**	1,161,869
Group's share of financial guarantee issued by associates and joint ventures	**9,044,104**	8,125,586
Group's share of letters of credit issued by associates and joint ventures	**1,050,379**	834,708
Third party claims*	**370,322**	251,925

* There are various claims against the subsidiaries and equity accounted investees of the Group initiated by their respective contractors, customers and other counterparties in respect of alleged delays in work or non-fulfilment of contractual obligations. Once the relevant assessments of these claims are completed by the relevant subsidiaries and equity accounted investees of the Group, and the amount of potential loss is reasonably estimated, an appropriate adjustment to account for any adverse effects on their financial standing is made. Proper controls and policies to manage such claims are in place, as a result, at reporting date it is believed that any adverse outcome from these claims are remote. Accordingly, no liability is recognised in respect of these contingencies.

In addition to the above, the approved rehabilitation plan of one of the Group's subsidiaries includes performance bonds and payment guarantees of AED 1,075,614 thousand as at 31 December 2018 (2017: AED 1,762,468 thousand) issued in the normal course of business. As at 31 December 2018, the management estimates that AED 3,664 thousand (2017: AED 247,209 thousand) may crystallise and accordingly a provision was recognised for "rehabilitation liabilities". This provision for rehabilitation liabilities is subject to debt to equity swap and cash settlement. As at 31 December 2018, a derivative asset of AED 2,591 thousand (2017: AED 221,312 thousand) was accounted for representing the difference between the carrying value of the rehabilitation liabilities subject to debt to equity swap settlement and the fair value of the shares to be issued as a result of the debt to equity swap settlement (see note 28).

(f) Operational commitments

One of the Group's subsidiaries has operational commitments of AED 3,145,919 thousand relating to sales and marketing as at 31 December 2018 (2017: AED 3,622,687 thousand).

(g) Undrawn loan commitments

The Group's banking operations (including the Group's share of associates) have undrawn loan commitments of AED 30,878,457 thousand outstanding at 31 December 2018 (2017: AED 34,015,156 thousand). This represents a contractual commitment to permit drawdowns on a facility within a defined period subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to drawdown have to be fulfilled, the total contract amounts do not necessarily represent exact future cash requirements.

35 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the owner, associates, joint ventures, directors and key management personnel of the Group, and entities jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the management of individual Group subsidiaries.

The Group enters into transactions with Government-owned entities in the normal course of business. Such entities include various utility companies, port authorities etc. In accordance with the exemption in the revised IAS 24, transactions entered in the normal course of business with these related Government entities are not disclosed.

a) Significant transactions with related parties included in the consolidated income statement are as follows:

	Purchase of goods and services (including cost of revenue) AED'000	***Sale of goods and services (including revenue) AED'000***	***Other finance income AED'000***	***Other finance costs AED'000***
Year ended 31 December 2018:				
Associates and joint ventures	**3,946,879**	**2,752,306**	**529,613**	**491,334**
Government, MOF and other related parties	**101,656**	**1,004,915**	**412,788**	**374,194**
Year ended 31 December 2017:				
Associates and joint ventures	3,314,534	2,532,919	588,999	378,311
Government, MOF and other related parties	69,291	1,094,114	387,921	335,237

b) Significant amounts due from and due to related parties are disclosed in notes 16, 18, 19, 20, 21, 27, 29, 30 and 31, further details of which are as follows:

	2018		*2017*	
	Receivables AED'000	***Payables AED'000***	*Receivables AED'000*	*Payables AED'000*
Associates and joint ventures	**19,422,440**	**12,354,929**	26,511,389	12,802,882
Government, MOF and other related parties	**162,183,915***	**13,762,309**	153,574,571*	13,889,732
	181,606,355	**26,117,238**	180,085,960	26,692,614

* This includes an amount of AED 150,218,137 thousand (2017: AED 139,581,859 thousand) that represents loans and receivables provided by the Bank to the Government.

i) Impairment provisions of AED 180,443 thousand (2017: AED 162,028 thousand) and AED 79,058 thousand (2017: AED 73,035 thousand) have been made against amounts receivable from "Government, MOF and other related parties" and "Associates and joint ventures" respectively. These amounts are included in "other non-current assets" and "trade and other receivables" at the year-end.

ii) Investment securities include balances of AED 107,396 thousand (2017: AED 105,697 thousand) with Government, MOF and other related parties.

35 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Compensation to key managerial personnel:

The remuneration of directors and other key members of management included in the consolidated income statement are as follows:

	2018 ***AED'000***	*2017* *AED'000*
Short term benefits	**672,860**	587,572
End of service benefits	**49,249**	57,818
Directors' fees	**38,424**	36,876
Management fees charged by managers	**14,908**	15,981
	775,441	698,247

d) The investments made in associates and joint ventures, the Group's share of results of associates and joint ventures, the dividends received from them during the current and prior year and other movements are disclosed in note 14 of these consolidated financial statements. The distribution made to the Government has been disclosed in the statement of changes in equity and note 24 to the consolidated financial statements.

36 FINANCIAL RISK MANAGEMENT

The tables below set out the Group's classification of each class of financial assets and financial liabilities at the date of statement of financial position:

31 December 2018:

	Measured at FVTPL AED'000	*Measured at FVOCI AED'000*	*Measured at Amortised cost AED'000*	*Derivative financial instruments AED'000*	*Total carrying value AED'000*
Financial assets					
Non derivative financial assets					
Investment securities (see note 15)	8,163,752	6,667,871	14,723,593	-	29,555,216
Islamic financing and investment products (see note 19)	-	-	68,034,762	-	68,034,762
Loans and receivables (see note 20)	-	-	274,213,255	-	274,213,255
Other non-current assets	-	-	9,652,830	-	9,652,830
Trade and other receivables	-	-	28,256,941	-	28,256,941
Customer acceptances	-	-	7,736,164	-	7,736,164
Cash and deposits with banks (see note 21)	-	-	150,038,936	-	150,038,936
Derivative financial assets	-	-	-	-	-
Positive fair value of Derivatives (see note 28)	-	-	-	4,325,730	4,325,730
	8,163,752	**6,667,871**	**552,656,481**	**4,325,730**	**571,813,834**
Financial Liabilities					
Non derivative financial liabilities					
Customer deposits (see note 31)	-	-	279,459,659	-	279,459,659
Islamic customer deposits (see note 32)	-	-	52,860,919	-	52,860,919
Borrowings and lease liabilities (see note 27)	-	-	215,452,438	-	215,452,438
Other non-current payables	-	-	4,999,998	-	4,999,998
Customer acceptances	-	-	7,736,164	-	7,736,164
Trade and other payables	-	-	46,074,115	-	46,074,115
Derivative financial liabilities					
Negative fair value of Derivatives (see note 28)	-	-	-	3,896,127	3,896,127
	-	-	**606,583,293**	**3,896,127**	**610,479,420**

Fair values of the above mentioned financial assets and liabilities (that are not stated at fair value) are not materially different from their carrying values.

36 FINANCIAL RISK MANAGEMENT (continued)

31 December 2017:

	Held at FVTPL AED'000	*Held-to-maturity AED'000*	*Available-for-sale AED'000*	*Loans and receivables AED'000*	*Liabilities at amortised cost AED'000*	*Derivative financial instruments AED'000*	*Total carrying value AED'000*
Financial assets							
Non-derivative financial assets							
Investment securities (see note 15)	4,658,926	1,956,177	22,682,003	-	-	-	29,297,106
Islamic financing and investment products (see note 19)	-	-	-	62,766,036	-	-	62,766,036
Loans and receivables (see note 20)	-	-	-	255,496,933	-	-	255,496,933
Other non-current assets	-	-	-	15,640,082	-	-	15,640,082
Trade and other receivables	-	-	-	29,294,248	-	-	29,294,248
Customer acceptances	-	-	-	6,111,947	-	-	6,111,947
Cash and deposits with banks (see note 21)	-	-	-	153,905,974	-	-	153,905,974
Derivative financial assets							
Positive fair value of derivatives (see note 28)	-	-	-	-	-	3,190,083	3,190,083
	4,658,926	1,956,177	22,682,003	523,215,220	-	3,190,083	555,702,409
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits (see note 31)	-	-	-	-	254,831,433	-	254,831,433
Islamic customer deposits (see note 32)	-	-	-	-	57,103,510	-	57,103,510
Borrowings and lease liabilities (see note 27)	-	-	-	-	217,601,679	-	217,601,679
Other non-current payables	-	-	-	-	5,351,893	-	5,351,893
Customer acceptances	-	-	-	-	6,111,947	-	6,111,947
Trade and other payables	-	-	-	-	42,587,319	-	42,587,319
Derivative financial liabilities							
Negative fair value of derivatives (see note 28)	-	-	-	-	-	2,784,958	2,784,958
	-	-	-	-	583,587,781	2,784,958	586,372,739

Fair values of the above mentioned financial assets and liabilities (that are not stated at fair value) are not materially different from their carrying values.

36 FINANCIAL RISK MANAGEMENT (continued)

Overview

The Group has exposure to the following main risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included in these consolidated financial statements.

Risk Management Framework and Process

The Board of Directors of ICD and of the respective entities have responsibility for:

- The establishment and oversight of risk management frameworks including the determination and approval of risk appetite; and
- The formation of appropriate risk management committees responsible for developing and monitoring risk management policies and the identification, analysis and management of the risks in the operations of the respective businesses.

The Group's risk management framework takes into account the complexity of the Group's business operations and diversity of geographical locations. The Group's risk management framework is not intended to prescribe a specific process for risk management but rather to integrate risk management as a practice into each Group entity's processes and according to each Group entity's specific needs.

The key features of the Group's risk management framework are:

- Risk management policies designed to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits;
- Design and implementation of appropriate controls with adequate reporting in place to monitor their ongoing effectiveness to safeguard the Group's interests;
- Timely escalation to management of exceptions and deviations from authorised limits and other relevant risk guidelines and policies;
- Regular review of risk management policies and processes to reflect changes in market conditions and the Group's operations;
- Training of employees to develop a disciplined control environment in which all employees understand their roles and responsibilities; and
- Risk taking within approved authorities and compliance with applicable regulatory requirements.

Risk management functions of Group entities assist their senior management in controlling and actively managing the Group's overall risk. These functions also ensure that:

- Policies, procedures and methodologies are consistent with risk appetite;
- The overall business strategy is consistent with its risk appetite; and
- Appropriate risk management processes are developed and implemented.

36 FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to investment securities (primarily bonds), Islamic financing and investment products, loans and receivables, trade and other receivables (including amounts due from related parties), customer acceptances, and cash at bank. The Group's exposure to such credit risk is monitored on an ongoing basis by the management of the respective subsidiaries. The Group's cash is placed with banks of repute.

Credit risk management and structure

The approach to credit risk management is based on the foundation to preserve independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structures in the respective business segments. Standard procedures specific to businesses are set up to manage various risks across different business segments, products and portfolios. The credit policy for the banking operations focuses on the core credit policies and includes lending parameters, target businesses, specific policy guidelines, management of high risk customers, provisioning guidelines, policies governing overseas locations etc. The relevant Credit Management and Investment Committee retains the ultimate authority to approve larger credits. Independent functions within the Bank manage credit risks on the corporate and retail portfolios.

Trade and other receivables

Sales are made to customers on mutually agreed terms. The credit committees set up by the respective subsidiaries are responsible for determining:

- The creditworthiness of its customers;
- The credit exposure and the credit ratings of the customers; and
- Appropriate collateral as securities and financial guarantees.

Collateral management

Collaterals and guarantees are effectively used as mitigating tools by the Group's banking operations. The quality of collateral is continuously monitored and assessed.

Where credit facilities are secured by collateral, the Group seeks to ensure the enforceability of the collateral.

Collaterals are revalued regularly as per the Bank's credit policy. In addition, ad-hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Bank to assess the fair market value of the collateral and ensure that risks are appropriately covered. Security structures and legal covenants are also subject to regular review.

Credit risk measurement (applicable from 1 January 2018)

The Group uses a combination of general approach and simplified approach to measure credit risk and compute expected credit losses.

For instruments where the general approach is used, the estimation of credit risk for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails making further estimations on the likelihood of defaults occurring and the associated loss ratios. The Group measures credit risk using the PD, EAD and LGD. These parameters are generally derived from internally developed statistical models and other historical data, and are adjusted to reflect forward-looking information.

The Bank allocates exposure with respect to loans and receivables, Islamic financing and investments in debt securities to a credit risk grade that reflects its assessment of the probability of default of individual counterparties. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of counterparty. Credit risk grades are defined and calibrated in such a way that the risk of default occurring increases exponentially as the credit risk deteriorates. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the counterparty. The financial assets for which the credit risk grades corresponds to the definition of credit-impaired financial assets are classified as non-performing financial assets.

The Group carries periodic reviews of its counterparties, to update their credit worthiness in the light of all actual market available information and historical observed defaults.

36 FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

Credit risk measurement (applicable from 1 January 2018) (continued)

For instruments where the simplified approach is followed (this mainly includes trade receivables, due from related parties, loan receivables (non-banking operations) retention receivables, contract receivables and finance lease receivables), credit risk is assessed using a provision matrix approach. Under the provision matrix approach, a historical credit loss experience adjusted for forward-looking information is used in estimating ECL.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	*2017*
	AED'000	*AED'000*
Investment securities	**23,839,871**	21,620,882
Other non-current assets (including due from related parties)	**9,652,830**	15,640,082
Positive fair value of derivatives	**4,325,730**	3,190,083
Islamic financing and investment products	**68,034,762**	62,766,036
Loans and receivables	**274,213,255**	255,496,933
Trade and other receivables (including due from related parties)	**28,256,941**	29,294,248
Customer acceptances	**7,736,164**	6,111,947
Deposits with banks (including due from banks)	**146,617,546**	150,013,722
	562,677,099	544,133,933

The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group might have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

	2018	*2017*
	AED'000	*AED'000*
Letters of credit	**13,798,684**	14,358,163
Financial guarantee	**50,663,968**	49,293,722
Performance bond	**6,377,945**	5,630,525
Liabilities on risk participation	**593,804**	1,161,869
Group's share of financial guarantees issued by associates and joint ventures	**9,044,104**	8,125,586
Group's share of letters of credit issued by associates and joint ventures	**1,050,379**	834,708
Undrawn loan commitments	**30,878,457**	34,015,156
	112,407,341	113,419,729

The credit quality and movement in allowance for impairment of other non-current assets, trade receivables, due from related parties, loan receivables (non-banking receivables), retention receivables, contract receivables, finance lease receivables, Islamic financing and investment products, and loans and receivables as at year end / during the year respectively is disclosed in notes 16, 18, 19 and 20.

36 FINANCIAL RISK MANAGEMENT (continued)

36.2 Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due, or that it can only do so at excessive cost. Liquidity risk mainly relates to trade and other payables (including amounts due to related parties), borrowings and lease liabilities, Islamic customer deposits and customer deposits. The objective of liquidity risk management is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation. Each subsidiary is also responsible for managing its liquidity risk. The Group manages its liquidity by:

- Setting appropriate liquidity risk management frameworks for short, medium and long-term funding and liquidity management requirements;
- Monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of assets that can be easily liquidated; and
- Maintaining adequate cash reserves and banking facilities.

The following are the contractual maturities of financial liabilities, including interest payments at the reporting date:

Financial liabilities	***Carrying amount AED'000***	***Contractual cash flows AED'000***	***Less than one year AED'000***	***More than one year AED'000***
31 December 2018				
Customer deposits	**279,459,659**	**282,676,591**	**272,251,632**	**10,424,959**
Islamic customer deposits	**52,860,919**	**53,356,200**	**52,863,607**	**492,593**
Borrowings and lease liabilities	**215,452,438**	**245,092,465**	**60,703,358**	**184,389,107**
Other non-current payables	**4,999,998**	**4,999,998**	**-**	**4,999,998**
Customer acceptances	**7,736,164**	**7,736,164**	**7,736,164**	**-**
Trade and other payables	**46,074,115**	**46,117,550**	**45,744,576**	**372,974**
Negative fair value of derivatives	**3,896,127**	**3,891,526**	**1,879,616**	**2,011,910**
Total liabilities	**610,479,420**	**643,870,494**	**441,178,953**	**202,691,541**
Off balance sheet				
Letter of credit and financial guarantee	**64,462,652**	**64,462,652**	**51,014,886**	**13,447,766**
Group's share of letter of credit and financial guarantee issued by associates and joint ventures	**10,094,483**	**10,094,483**	**6,845,980**	**3,248,503**
Undrawn loan commitment	**30,878,457**	**30,878,457**	**22,233,920**	**8,644,537**
Total off balance sheet items	**105,435,592**	**105,435,592**	**80,094,786**	**25,340,806**

36 FINANCIAL RISK MANAGEMENT (continued)

36.2 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest payments at the reporting date: (continued)

Financial liabilities	*Carrying amount AED'000*	*Contractual cash flows AED'000*	*Less than one year AED'000*	*More than one year AED'000*
31 December 2017				
Customer deposits	254,831,433	256,377,239	248,488,263	7,888,976
Islamic customer deposits	57,103,510	57,478,015	57,419,197	58,818
Borrowings and lease liabilities	217,601,679	245,587,765	64,580,984	181,006,781
Other non-current payables	5,351,893	5,351,893	-	5,351,893
Customer acceptances	6,111,947	6,111,947	6,111,947	-
Trade and other payables	42,587,319	42,640,401	42,205,214	435,187
Negative fair value of derivatives	2,784,958	2,824,729	1,178,975	1,645,754
Total liabilities	586,372,739	616,371,989	419,984,580	196,387,409
Off balance sheet				
Letter of credit and financial guarantee	63,651,885	63,651,885	50,099,541	13,552,344
Group's share of letter of credit and financial guarantee issued by associates and joint ventures	8,960,294	8,960,294	6,548,941	2,411,353
Undrawn loan commitment	34,015,156	34,015,156	25,925,269	8,089,887
Total off balance sheet items	106,627,335	106,627,335	82,573,751	24,053,584

The Group is also exposed to liquidity risk in respect of those contingencies and commitments as are disclosed in notes 34 (a), (b) and (c).

36.3 Market risk

Market risk is the risk that changes in market factors, such as equity prices, commodity prices, credit spreads, interest or profit rates and foreign currency rates will affect the Group's income, equity or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns. The diverse activities of entities within the Group create exposures to specific market risks that are managed through risk management frameworks appropriate for the inherent business risks. Certain subsidiaries buy and sell derivatives and incur financial liabilities to manage market risks. All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the relevant entity.

Relevant aspects of the Bank's market risk framework are described below.

Market risk specific to banking operations

To better capture the multi-dimensional aspects of market risk, the Bank's primary market risk metric is a statistical measure, Value-at-Risk ("VaR"), used for short-term risk holding periods. VaR metrics are calculated daily for the specific asset classes listed below, plus a total VaR figure for the whole Trading Book:

- Interest rate VaR;
- Foreign exchange VaR; and
- Total VaR.

The VaR is calculated for specific asset classes and in total, using the historical simulation method and measured at the 99% confidence level over a specified horizon (holding period).

36 FINANCIAL RISK MANAGEMENT (continued)

36.3 Market risk (continued)

Market risk specific to banking operations (continued)

The year-end VaR numbers reported below have been derived using the following configuration:

- Confidence level: 99%
- Holding period: 1 business day
- Methodology: full revaluation, historical simulation using over 2 years of historical market data

Total Value-at-Risk

By Asset class Trading	*Average* *AED'000*	*Maximum* *AED'000*	*Minimum* *AED'000*	*Actual* *AED'000*
31 December 2018				
Interest rate risk	**18,470**	**29,223**	**2,381**	**3,402**
Foreign exchange risk	**12,687**	**26,764**	**6,648**	**7,307**
Credit trading risk	**929**	**3,015**	**220**	**1,831**
Total*	**23,947**	**42,902**	**6,331**	**6,647**
31 December 2017				
Interest rate risk	5,972	15,553	2,454	12,034
Foreign exchange risk	9,528	29,134	2,442	12,081
Credit trading risk	1,103	3,291	150	1,244
Total*	10,680	28,560	3,233	11,595

* Note that the sum of asset class VaR metrics does not add up to the reported Total VaR metric due to diversification and cross correlation effects.

The major foreign currency open positions of the Bank are as follows:

	2018 ***AED'000*** **Long / (Short)**	*2017* *AED'000* Long / (Short)
U.S. Dollar (USD)	**3,331,213**	(3,073,311)
Oman Riyal (OMR)	**(307,621)**	(492,500)
Saudi Riyal (SAR)	**(443,688)**	(543,313)
Egyptian Pound (EGP)	**88,823**	223,897
Bahraini Dinar (BHD)	**(244,256)**	(122,813)

As AED, SAR, OMR and BHD are pegged against USD, the Bank's exposure to these currencies is limited to that extent. Exposure to other foreign currencies is insignificant.

36.3.1 Equity price risk

Equity price risk arises from investments in equity instruments measured at FVTPL and FVOCI at the reporting date (2017: from investments in equity instruments designated as either available-for-sale financial assets or as fair value through profit or loss). Group entities are responsible for monitoring their investment portfolios. Material investments within portfolios are managed on an individual basis. All such investments are managed in accordance with the risk framework approved by the Board of Directors of the relevant entity.

36 FINANCIAL RISK MANAGEMENT (continued)

36.3 Market risk (continued)

36.3.1 Equity price risk (continued)

Equity price risk – sensitivity analysis

A five percent increase in equity prices would have increased the fair value of securities by AED 285,767 thousand (2017: AED 383,811 thousand); an equal change in the opposite direction would have decreased the fair value of securities by AED 285,767 thousand (2017: AED 383,811 thousand). The following table demonstrates the sensitivity of the Group's equity and profit to a 5 percent change in the price of its equity holdings, assuming all other variables, in particular foreign currency rates, remain constant.

	Effect on profit AED'000	***Effect on equity AED'000***
31 December 2018		
Effect of changes in equity portfolio of the Group	**135,538**	**258,767**
31 December 2017		
Effect of changes in equity portfolio of the Group	16,356	383,811

36.3.2 Commodity price risk

The Group is exposed to commodity price risk mainly from the price volatility of crude oil and oil derived products. The Group manages its exposure to changes in oil prices, and, in doing so, may use commodity derivative instruments including commodity futures, swaps and options. All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the relevant entity.

Commodity price risk – sensitivity analysis

An increase of 5% in oil prices relating to commodity derivative contracts would have increased / (decreased) equity and profit respectively by the amounts shown below. This analysis assumes that all other variables remain constant. An equivalent decrease of the same magnitude would have an equal but opposite effect.

	Equity AED'000	***Profit AED'000***
31 December 2018		
Effect of changes in oil prices	**(11,032)**	**(11,032)**

	Equity AED'000	*Profit AED'000*
31 December 2017		
Effect of changes in oil prices	68,638	68,638

At the reporting date, if the market price of crude oil had been USD 10 per barrel higher/lower, the crude oil over lift payable would have been higher/lower by AED 45.57 million (2017: crude oil under lift receivable would have been higher/lower by AED 30.14 million).

36.3.3 Interest or profit rate risk

The Group is exposed to interest or profit rate risk due to interest rate or profit fluctuations with respect to investment in securities (primarily bonds and sukuks), Islamic financing and investment products, loans and receivables, derivatives, cash and deposits with banks, customer deposits, Islamic customer deposits, and borrowings and lease liabilities.

Certain subsidiaries manage their interest or profit rate risk by entering into interest rate swap contracts. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates or conversely. For details on the fair values, notional amounts and maturity analysis of interest rate swap contracts, please see note 28.

36 FINANCIAL RISK MANAGEMENT (continued)

36.3 Market risk (continued)

36.3.3 Interest / profit rate risk (continued)

Banking operations
The Bank measures, monitors and manages the interest rate risk in its banking book, and its key components repricing risk, yield curve risk, basis risk, and optionality, as appropriate.

Interest Rate Risk in the Banking Book ('IRRBB') is defined as the exposure of the non-trading products of the Bank to interest rates. Non-trading portfolios include all banking book positions that arise from the interest rate on the Bank's consumer and commercial banking assets and liabilities, and debt instruments measured at FVOCI or designated as available-for-sale and amortised cost or held-to-maturity. IRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of interest rate changes.

In order to manage this risk optimally, IRRBB in non-trading portfolios is transferred to the Bank's treasury under the supervision of the Bank's Asset and Liability Committee ("ALCO"), through Funds Transfer Pricing (FTP) Systems. The Bank's ALCO is required to regularly monitor all such interest rate risk positions to ensure they comply with interest rate risk limits.

In order to measure the overall interest sensitivity in the banking book, the Bank conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points (bp), and assessing the corresponding impact on its net interest income.

	31 December 2018		*31 December 2017*	
	Amount AED'000	***Variance AED'000***	*Amount AED'000*	*Variance AED'000*
Rates Up 200 bp	**16,951,915**	**3,305,288**	13,636,006	2,207,109
Base Case	**13,646,627**	**-**	11,428,897	-
Rates Down 200 bp	**9,737,839**	**(3,908,788)**	9,007,996	(2,420,901)

The interest rate sensitivities set out in the table above are based on a set of scenarios i.e. the projections above assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net interest income of some rates changing while others remain unchanged. The projections also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by the Bank's treasury or in the business units to mitigate the impact of this interest rate risk. In practice, the Bank's treasury seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues.

Non-banking operations
The table below shows the effect on the consolidated income statement and consolidated statement of changes in equity of an increase of 100 basis points in interest/profit rate relating to the net interest/profit bearing financial assets and liabilities of non-banking operations of the Group. The analysis below excludes interest capitalised and assumes that all other variables remain constant. An equivalent decrease would have an equal but opposite effect accordingly.

	31 December 2018 Effect on		*31 December 2017 Effect on*	
	profit AED'000	***equity AED'000***	*profit AED'000*	*equity AED'000*
100 bp increase in rates	**(593,048)**	**(394,371)**	(531,589)	(400,106)

36.3.4 Currency risk

Banking operations
The foreign currency open positions of the Group's banking operations are disclosed in the market risk section specific to banking operations (see note 36.3).

36 FINANCIAL RISK MANAGEMENT (continued)

36.3 Market risk (continued)

36.3.4 Currency risk (continued)

Non-banking operations
The Group's non-banking operations are exposed to foreign exchange risk on transactions denominated in currencies other than the functional currencies of the Group entities. These transactions give rise to foreign currency exposures. In practice, in respect of monetary assets and liabilities denominated in USD, there is no foreign exchange risk involved since AED is currently pegged to USD. Certain Group entities operate in countries where exchange controls and other foreign exchange restrictions apply. Group entities monitor exchange rate movements and the related impact on their financial assets and financial liabilities, and manage their foreign currency exposure in accordance with their risk management framework. A 5% change in exchange rate of foreign currencies other than USD would not have a significant impact on the Group's profit or equity.

36.4 Capital management

The objective of the Group's capital management is to ensure that it maintains strong capital ratios to enable it to support its business and maximise value for the Government.

The Group manages its capital structure in light of changes in economic and market conditions. The total equity comprises capital, other distributable and non-distributable reserves and retained earnings aggregating to AED 197,657,612 thousand as at 31 December 2018 (2017: AED 190,002,814 thousand).

The Group has certain bank borrowing arrangements that require maintaining certain ratios and shareholding structure. Apart from these requirements and subordination of funding provided by the shareholders of certain subsidiaries, certain Group entities, such as the Bank, operate in a highly regulated environment and accordingly their capital management is subject to specific regulatory requirements.

37 OPERATING SEGMENTS

An operating segment is a significant distinguishable component of the Group's business activities that is subject to risks and rewards different from those of other segments. The financial information of Group's operating segments is regularly monitored and evaluated by the Group's management.

For such monitoring and evaluation purposes, the Group is organised in three major reportable operating segments:

- Banking and other financial services: this segment comprises of banking operations, non-bank financial institutions, holding and administering of interests in financial exchanges and financial transaction management advisory services;
- Transportation and related services: this segment comprises primarily of passenger and commercial air transportation (including retail of consumer goods and in-flight catering), airport handling operations, aircraft handling and engineering services, other travel related services and aircraft leasing services; and
- Oil and gas products/services: this segment comprises of upstream oil and gas production and downstream marketing and retailing of oil and gas functions.

Other segments are components of the Group's business activities that need not be disclosed separately as per the criteria specified under IFRS 8 - Operating Segments. A brief description of these businesses is as follows:

- Retail trade: primarily comprises of duty free retail services at Dubai's airports, ownership and operations of supermarkets and retail services, and trading of goods and services across various sectors;
- Hotels and leisure: primarily comprises of the hotels owned and/or managed by the Group and related operations;
- Real estate and construction: comprises of income from development, construction contracting, structural steelwork manufacturing, operating leases of buildings, and rental of exhibition and convention centres; and
- Other investment income: primarily comprises of investment operations.

37 OPERATING SEGMENTS (continued)

The following table presents revenue and profit related information of the Group's operating segments for the year ended 31 December 2018 and 31 December 2017:

	Banking and other financial services AED'000	*Transportation and related services AED'000*	*Oil and gas products/ services AED'000*	*Others AED'000*	*Total AED'000*
2018:					
Revenues					
Banking and other financial Services	19,790,629	-	-	183,539	19,974,168
Lease revenue	43,288	4,198,616	221,150	1,161,073	5,624,127
Revenue from contracts with customers – IFRS 15					
- Over a period of time	31,175	104,787,891	-	8,739,685	113,558,751
- Single point in time	4,193,740	8,099,803	69,617,179	11,367,008	93,277,730
Total revenue from external customers	**24,058,832**	**117,086,310**	**69,838,329**	**21,451,305**	**232,434,776**
Results:					
Profit for the year before income tax	**12,194,241**	**3,548,023**	**2,418,787**	**4,116,992**	**22,278,043**
2017:					
Revenues					
Revenue from external customers	20,546,566	105,413,553	54,908,833	20,061,649	200,930,601
Results:					
Profit for the year before income tax	10,619,856	6,138,700	3,324,333	5,103,915	25,186,804

The following table presents assets and liabilities related information of the Group's operating segments as at 31 December 2018 and 31 December 2017:

	Banking and other financial services AED'000	*Transportation and related services AED'000*	*Oil and gas products/ services AED'000*	*Others AED'000*	*Total AED'000*
2018*:					
Segmental Assets	**526,920,848**	**190,114,918**	**43,036,608**	**117,239,886**	**877,312,260**
Segmental Liabilities	**431,851,865**	**141,047,151**	**20,963,118**	**47,153,370**	**641,015,504**
2017*:					
Segmental Assets	497,260,109	187,491,492	46,770,982	112,730,152	844,252,735
Segmental Liabilities	406,721,773	140,082,940	23,216,606	46,787,843	616,809,162

*Assets and liabilities classified as held for sale as at 31 December 2018 and 31 December 2017 have not been considered for IFRS 8 – Operating Segments disclosures.

38 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

List of significant subsidiaries, associates and joint ventures along with their principal activities is as follows:

SUBSIDIARIES:

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD				
Emirates NBD PJSC	**55.76%**	55.76%	UAE	Banking
Emirates National Oil Co. Limited (ENOC) LLC	**100.00%**	100.00%	UAE	Development and production of oil and gas, gas gathering and processing, production and selling of MTBE, marketing of petroleum products and retailing at service stations, oil trading, terminalling and storage, condensate processing, aviation fuel marketing, lubricant marketing, bunkering and oil related shipping activities
Dubai World Trade Centre Authority	**100.00%**	100.00%	UAE	Management of the Dubai World Trade Centre Complex
Emirates	**100.00%**	100.00%	UAE	Commercial air transportation including passenger, cargo and postal carriage services, wholesale and retail of consumer goods, in-flight and institutional catering and hotel operations
Dnata/dnata World Travel	**100.00%**	100.00%	UAE	Ground and cargo handling services, travel services and inflight catering
Dubal Holding LLC	**100.00%**	100.00%	UAE	Investment company in commercial/industrial enterprises and management
Borse Dubai Limited	**89.72%**	89.72%	UAE	Acquire and hold interests in undertakings operating or active in the financial exchange sector as well as the administration, development and management of such holdings
Dubai Duty Free Establishment	**100.00%**	100.00%	UAE	Duty free operations at Dubai airports
Dubai Silicon Oasis Authority	**100.00%**	100.00%	UAE	Development and management of a Free Zone Technology park
Dubai Airport Freezone Authority	**100.00%**	100.00%	UAE	Leasing office and warehouse space, leasing of land, issuing licenses, and providing other ancillary services

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD (continued)				
National Bonds Corporation PJSC	**100.00%**	100.00%	UAE	Fund manager for a Shari'ah compliant open-ended investment fund
Dubai Aerospace Enterprises ("DAE") Limited	**95.74%**	95.74%	UAE	Operations in aircraft leasing, maintenance, repair and over haul
Kerzner International Holdings Ltd	**99.99%**	87.69%	Bahamas	Hotel operations and management
Emaratech (Emarat Technology Solutions) FZ LLC	**100.00%**	100.00%	UAE	Information Technology software solutions for General Department for Residency and Foreign Affairs ("GDRFA"), Ministry of Interior and other government departments
Aswaaq LLC	**100.00%**	99.00%	UAE	Operations of retail supermarkets and retail trading
Smartstream Technologies Holding Investments Limited	**100.00%**	100.00%	UK	Development, distribution and service of its transaction lifecycle management software products and data management services
Atlantis the Palm 2 Holding LLC	**100.00%**	100.00%	UAE	Leisure and hospitality
Gazelle Finance Limited	**100.00%**	100.00%	Cayman Islands	Investment holding
Deira Waterfront Development Holdings LLC	**100.00%**	100.00%	UAE	Holding company of property development management
Cleveland Bridge and Engineering Middle East (Private) Limited	**51.00%**	51.00%	UAE	Contracting for designing, industrial and commercial structures
Ssangyong Engineering & Construction Co.Ltd	**99.94%**	98.97%	South Korea	Engineering and construction contracting
Imdaad LLC	**100.00%**	100.00%	UAE	Facility management services
Dubai Aviation Corporation (trading as "flydubai")	**100.00%**	100.00%	UAE	Commercial air transportation including passengers, cargo and postal carriage services

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD (continued)				
Ithra Dubai Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Property investment and development, and property management services
Deira Creek Holdings LLC	**90.00%**	-	UAE	Leisure, hospitality and leasing
ISS Global Forwarding One Person Company LLC	**100.00%**	-	UAE	Global freight forwarding services
One Za'abeel Holdings LLC	**100.00%**	100.00%	UAE	Property development
ICD Hospitality & Leisure LLC	**100.00%**	100.00%	UAE	Leisure and hospitality
Dubai Global Connect LLC	**100.00%**	-	UAE	Property development management
Ithra Europe Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Leisure & hospitality
Ithra Africa Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Leisure & hospitality
ICD Cape Town FZE	**100.00%**	100.00%	UAE	Holding and propriety company of hotel operations
Columbus Centre Corporation (Cayman)	**100.00%**	100.00%	Cayman Islands	Hotel operations
ICD Funding Limited	**100.00%**	100.00%	Cayman Islands	Investment company
Ibtikar Innovation Investment LLC	**100.00%**	100.00%	UAE	Investment in commercial enterprises and management
Binaa Dubai LLC	**100.00%**	100.00%	UAE	Investment in commercial enterprises and management
Palmilla JV, LLC	**100.00%**	93.85%	Delaware	Holding company of hotel operations
List of significant subsidiaries of Dubai Aerospace Enterprises ("DAE") Limited				
DAE Holding KFT (direct owner of AWAS)	**100.00%**	100.00%	UAE	Acquires, leases, and sells commercial jet and associated aircraft disposals

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of Smartstream Technologies Holding Investments Limited				
D-Clear Europe Limited	**100.00%**	100.00%	UK	Development, distribution and service of post trade processing solutions, together with data management services
List of significant subsidiaries of Binaa Dubai LLC				
ALEC Engineering & Contracting LLC	**90.00%**	90.00%	UAE	Engineering and construction contracting
List of significant subsidiaries of Emirates NBD PJSC				
Emirates Islamic Bank PJSC	**99.90%**	99.90%	UAE	Islamic banking
Emirates NBD Egypt S.A.E	**100.00%**	100.00%	Egypt	Banking
Dubai Bank PJSC	**100.00%**	100.00%	UAE	Islamic banking
List of significant subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC				
Dubai Natural Gas Company Limited	**100.00%**	100.00%	UAE	Gas processing
Emirates Gas LLC	**100.00%**	100.00%	UAE	Bottling and sale of LPG
Emirates National Oil Company (Singapore) Private Limited	**100.00%**	100.00%	Singapore	Petroleum supply & trading
ENOC Processing Company LLC	**100.00%**	100.00%	UAE	Petroleum refining
ENOC Properties LLC	**100.00%**	100.00%	UAE	Lease out commercial properties for rental purposes
ENOC Supply and Trading LLC	**100.00%**	100.00%	UAE	Petroleum supply & trading
Dragon Oil (Holdings) Limited	**100.00%**	100.00%	UAE	Oil and gas exploration, development and production
Horizon Emirates Terminals LLC	**100.00%**	100.00%	UAE	Petroleum terminal
ENOC Marketing L.L.C.	**100.00%**	100.00%	UAE	Petroleum sales and marketing
ENOC Lubricants and Grease Manufacturing Plant L.L.C.	**100.00%**	100.00%	UAE	Lubricant and grease manufacturing
ENOC Retail LLC	**100.00%**	100.00%	UAE	Service stations, retail and marketing
Horizon Terminals Limited.	**100.00%**	100.00%	Bahamas	Terminalling holding company

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of Emirates				
Maritime & Mercantile International L.L.C.	**68.70%**	68.70%	UAE	Wholesale and retail of consumer goods
Emirates Leisure Retail L.L.C.	**68.70%**	68.70%	UAE	Food and beverage operations
Emirates Flight Catering Company LLC	**90.00%**	90.00%	UAE	In-flight and institutional catering
List of significant subsidiaries of dnata/dnata World Travel				
Dnata Aviation Services Ltd	**100.00%**	100.00%	United Kingdom	Ground and cargo handling services
dnata Travel Holdings UK Limited	**100.00%**	100.00%	United Kingdom	Travel agency
Dnata Catering Services Limited	**100.00%**	100.00%	UAE	In-flight catering services
List of significant subsidiaries of Borse Dubai Limited				
Dubai Financial Market (DFM) PJSC	**79.70%**	79.70%	UAE	Electronic financial market
Nasdaq Dubai Limited (NASDAQ Dubai)	**86.42%**	86.42%	UAE	Electronic financial market
List of significant subsidiaries of Atlantis the Palm 2 Holding LLC				
The Royal Atlantis Resort & Residences FZCO	**100.00%**	100.00%	UAE	Property development management
List of significant subsidiaries of ICD Hospitality and Leisure LLC				
Atlantis the Palm Holding Company Limited	**100.00%**	100.00%	British Virgin Islands	Hotel operation
Hotels Washington Corporation (Cayman)	**100.00%**	100.00%	Cayman Islands	Hotel operation
Optimum ICD Holdings LLC	**90.00%**	90.00%	USA	Investment company
List of significant subsidiaries of Deira Waterfront Development Holdings LLC				
Deira Waterfront Development LLC	**100.00%**	100.00%	UAE	Property development management

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

ASSOCIATES:

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant associates of ICD				
Emaar Properties PJSC	**27.50 %**	27.50 %	UAE	Property investment and development, property management services, retail, hospitality and investments in providers of financial services
Dubai Islamic Bank PJSC	**28.37%**	28.33%	UAE	Islamic banking
Commercial Bank of Dubai PSC	**20.00%**	20.00%	UAE	Banking
Noor Investment Group LLC	**25.00%**	25.00%	UAE	Investment company
Galadari Brothers Company Limited (LLC)	**-**	37.94%	UAE	Company engaged in trading of various goods and services
HSBC Middle East Finance Company Limited	**20.00%**	20.00%	UAE	Provision of hire purchase finance for the purchase of motor vehicles and equipment
Airport Financing Company FZE	**24.50%**	24.50%	UAE	Investment Company
List of significant associates of Emirates NBD PJSC				
National General Insurance Co. PSC	**36.70%**	36.70%	UAE	General and life insurance
List of significant associates of Emirates National Oil Co. Limited (ENOC) LLC				
Vopak Horizon Fujairah Holding Limited	**33.33%**	33.33%	Gibraltar	Terminalling holding company
List of significant associates of Borse Dubai Limited				
Nasdaq, Inc. (see note 38.1)	**18.03%**	17.79%	USA	Stock Exchange

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

JOINT VENTURES:

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant joint ventures of ICD				
Dubai Cable Company (Private) Limited	**50.00%**	50.00%	UAE	Manufacture and sales of power cables, control cables, building wires and lead cables
List of joint ventures of Emirates NBD PJSC				
Network International LLC (see note 38.2)	**51.00%**	51.00%	UAE	Card processing services
List of significant joint ventures of Emirates National Oil Co. Limited (ENOC) LLC				
EPPCO International Limited ("EIL")	**50.00%**	50.00%	Bahamas	Petroleum terminal
EPPCO Projects LLC	**51.00%**	51.00%	UAE	Aviation and lubricants marketing
List of significant joint ventures of Dubal Holding LLC				
Emirates Global Aluminium PJSC ("EGA")	**50.00%**	50.00%	UAE	Aluminium smelters

In a number of cases, the Group owns more than a 50% ownership interest in entities and has classified them as associates / joint ventures, as management believes that the Group does not control these entities. In certain cases, the Group has joint control on these entities with other owners and unanimous owner consent is required for strategic financial and operating decisions by these entities.

38.1 Although the Group holds less than 20% of the equity shares of Nasdaq Inc. the Group exercises significant influence through having a direct representation on the Board of Directors of Nasdaq Inc. and accordingly, has adopted the equity method of accounting for this investment.

38.2 Subsequent to the year end, part of the Network International LLC's shares were admitted to the London Stock Exchange plc. The Bank disposed of 28.6% of its shareholding and following this listing, it retained 22.4% of the shares in the newly listed entity.

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