UAB

البنك العربي المتحد
UNITED ARAB BANK

50

عاماً متحدون
years united

Financial Statements

for the year ended 31 December 2025

The audited Financial Statements are subject to approval by CBUAE and Shareholders at the Annual General Meeting

uab.ae

United Arab Bank P.J.S.C.

Financial statements
For the year ended 31 December 2025

Independent auditor's report

To the Shareholders of United Arab Bank P.J.S.C.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Arab Bank P.J.S.C. (the "Bank") as at 31 December 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2025;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 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.

PricewaterhouseCoopers Limited Partnership - SHJ. BR
Al Fardan Center, Al Majaz, R floor, Office 318, PO Box 63801
Sharjah - United Arab Emirates
T: +971 6 597 8600

Independent auditor’s report (continued)

To the Shareholders of United Arab Bank P.J.S.C.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matter	Measurement of Expected Credit Losses on Loans and advances and Islamic financing receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Directors made subjective judgements; 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.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

To the Shareholders of United Arab Bank P.J.S.C.

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of Expected Credit Losses ("ECL") on loans and advances and Islamic financing receivables	
The Bank recognises ECL provisions on all financial assets including loans and advances and Islamic financing receivables. The ECL charge for the year ended 31 December 2025 for loans and advances and Islamic financing receivables amounted to AED 25 million (net of recoveries) and the allowance for ECL as at that date amounted to AED 429 million. The Bank exercises significant judgements and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default, forward looking adjustments and staging criteria for both funded and unfunded exposures subject to ECL. For defaulted exposures, the Bank exercises judgements to estimate the expected future cashflows related to individual exposures, including the value of collateral. The Bank's impairment policy under IFRS 9 Financial Instruments is presented in note 3.4.14 to the financial statements. We considered this as a key audit matter considering the exercise of significant judgments and estimates including use of forward-looking macroeconomic data and complex models, and as it has a material impact on the financial statements of the Bank.	We performed the following audit procedures on the ECL provision included in the Bank's financial statements for the year ended 31 December 2025. We tested on a sample basis the completeness and accuracy of the data used in the calculation of ECL provision. For a sample of exposures, we checked the appropriateness of the Bank's application of the staging criteria, including the basis for movement between the stages. We involved our internal expert for the testing of the ECL model to assess the following areas: • Evaluation of the appropriateness of the accounting policies adopted by the Bank based on the requirements of IFRS 9. • Reasonableness and appropriateness of the methodology and assumptions used in the calculation of various components of ECL modelling including the computation of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for the models selected for testing. • Reasonableness of the key assumptions made in the models including assumptions used in assessing the definition of default, Significant Increase in Credit Risk (SICR), staging criteria and estimating macroeconomic scenarios. • For a sample of customers, testing the mathematical accuracy and appropriateness of discounting used in the ECL calculation.

Independent auditor's report (continued)

To the Shareholders of United Arab Bank P.J.S.C.

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
	We performed an independent credit assessment for a sample of non-retail customers, by assessing the quantitative and qualitative factors including assessments of the financial performance of the customers, the source of repayments and its history and other relevant risk factors. For a sample of Stage 3 non-retail customers, we assessed the appropriateness of staging and discounted cash flows (including the discount rates used) and reviewed the valuation and enforceability of collateral, including the underlying assumptions. We assessed, on a sample basis, that reported exceptions to the policies and procedures, if any, as outlined in the Risk Appetite Policy were approved by the Board Risk and Compliance Committee (BRCC) and the approval process was formally documented. For a sample of new/renewed corporate credit facilities, we checked that reported exceptions to limits, if any, as set out in the Board approved Risk Appetite Policy, were approved by the BRCC or its approved delegate and the approval process was formally documented. We assessed the adequacy of the disclosures made in the Bank's financial statements in respect of ECL provisions as required by IFRS Accounting Standards.

Other information

The Directors are responsible for the other information. The other information comprises the Management Discussion and Analysis Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Independent auditor's report (continued)

To the Shareholders of United Arab Bank P.J.S.C

Other information (continued)

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and those charged with governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021, as amended and the UAE Federal Decree-Law No. (6) of 2025 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report (continued)

To the Shareholders of United Arab Bank P.J.S.C.

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 Bank'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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Independent auditor's report (continued)

To the Shareholders of United Arab Bank P.J.S.C.

Auditor's responsibilities for the audit of the financial statements (continued)

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.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree-Law No. (32) of 2021, as amended, we report that:

(i) we have obtained all the information we considered necessary for the purposes of our audit;

(ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021, as amended;

(iii) the Bank has maintained proper books of account;

(iv) the financial information included in the Management Discussion and Analysis Report is consistent with the books of account of the Bank;

(v) the Bank has purchased or invested in shares during the year and the investments as at 31 December 2025 are disclosed in note 8 to the financial statements;

(vi) note 24 to the financial statements discloses material related party transactions and the terms under which they were conducted;

(vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2025 any of the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021, as amended, or in respect of the Bank, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2025; and

(viii) note 36 to the financial statements discloses the social contributions made during the year ended 31 December 2025.

Further, as required by the UAE Federal Decree-Law No. (6) of 2025, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers Limited Partnership Sharjah Branch

9 February 2026

Jigesh Ashokkumar Shah
Registered Auditor Number: 5621
Sharjah, United Arab Emirates

STATEMENT OF FINANCIAL POSITION
As at 31 December 2025

	Notes	***As at 31 December*** ***2025*** ***AED'000***	*2024* *AED'000*
Assets			
Cash and balances with UAE Central Bank	5	**2,489,611**	2,225,224
Due from banks, net	6	**1,141,048**	585,146
Investments and Islamic instruments, net	8	**7,860,419**	6,004,981
Loans and advances and Islamic financing receivables, net	7	**14,554,295**	11,526,357
Customer acceptances		**287,850**	422,990
Other assets, net	10	**412,058**	492,575
Property, equipment and capital work-in-progress, net	9	**254,695**	204,207
TOTAL ASSETS		**26,999,976**	21,461,480
Liabilities and Equity			
Liabilities			
Due to banks	11	**3,341,437**	3,596,354
Customer deposits and Islamic customer deposits	12	**17,808,581**	13,577,035
Medium term borrowings	13	**1,000,000**	734,600
Customer acceptances		**287,850**	422,990
Other liabilities	14	**530,453**	579,016
Total liabilities		**22,968,321**	18,909,995
Shareholders' equity			
Share capital	15	**3,093,826**	2,062,550
Treasury shares		**-**	(3,008)
Tier 1 instrument	15	**550,875**	550,875
Special reserve	15	**121,904**	78,118
Statutory reserve	15	**150,828**	107,042
General reserve	15	**9,311**	9,311
Fair value reserve	15	**(16,268)**	(98,231)
Retained earnings/ (accumulated losses)		**121,179**	(155,172)
Total equity		**4,031,655**	2,551,485
TOTAL LIABILITIES AND EQUITY		**26,999,976**	21,461,480

To the best of our knowledge, the financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Bank as of, and for, the years presented herein.

The financial statements were approved by the Board of Directors on 9 February 2026 and signed on its behalf by:

……………………………………………………… ………………………………………………………

HH Sheikh Mohammed Bin Faisal Bin Sultan Al Qassimi
Chairman

Shirish Bhide
Chief Executive Officer

The notes on pages 13 to 80 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 1 – 7.

STATEMENT OF INCOME

For the year ended 31 December 2025

	Notes	Year ended 31 December 2025 AED'000	2024 AED'000
Interest income	16	**1,128,429**	1,074,673
Income from Islamic financing receivables	16	**162,780**	117,867
Total interest income and income from Islamic financing products		**1,291,209**	1,192,540
Interest expense	17	**(614,288)**	(612,705)
Distribution to Islamic depositors	17	**(98,274)**	(113,280)
Total interest expense and distribution to depositors		**(712,562)**	(725,985)
Net interest income and income from Islamic financing products net of distribution to depositors		**578,647**	466,555
Net fees and commission income	18	**102,382**	90,760
Foreign exchange income	19a	**47,320**	34,375
Other operating income	19b	**68,194**	14,113
Total operating income		**796,543**	605,803
Employee benefit expenses		**(228,248)**	(204,647)
Depreciation and amortization		**(21,147)**	(22,061)
Other operating expenses	20	**(116,027)**	(91,150)
Total operating expenses		**(365,422)**	(317,858)
Operating profit before impairment loss		**431,121**	287,945
Net impairment reversal	21	**50,736**	42,826
Profit for the year before tax		**481,857**	330,771
Tax expense	23	**(44,000)**	(29,811)
Net profit for the year		**437,857**	300,960
Earnings per share (basic and diluted in AED)	22	**0.18**	0.15

The notes on pages 13 to 80 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 1 - 7.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Year ended 31 December	
	2025	*2024*
	AED'000	*AED'000*
Net profit for the year	**437,857**	300,960
Other comprehensive income		
Items that may be reclassified to the income statement:		
FVOCI Instruments:		
Net change in fair value	**147,373**	39,004
Reclassified to the income statement	**(38,997)**	(19,737)
Net change in allowance for expected credit losses	**(18,307)**	-
Cash flow hedge:		
Effective portion of changes in fair value	**-**	3,743
Total items that may be reclassified to the income statement	**90,069**	23,010
Related tax on other comprehensive income (note 23)	**(8,106)**	(2,071)
Other comprehensive income for the year, net of tax	**81,963**	20,939
Total comprehensive income for the year, net of tax	**519,820**	321,899

The notes on pages 13 to 80 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 1 - 7.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2025

	Share capital AED'000	*Tier 1 instrument AED'000*	*Special reserve AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Treasury shares AED'000*	*Cumulative changes in fair value AED'000*	*Retained earnings/ (Accumulated losses) AED'000*	*Total equity AED'000*
At 1 January 2025	**2,062,550**	**550,875**	**78,118**	**107,042**	**9,311**	**(3,008)**	**(98,231)**	**(155,172)**	**2,551,485**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**437,857**	**437,857**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**81,963**	**-**	**81,963**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**81,963**	**437,857**	**519,820**
Rights issue	**1,031,276**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,031,276**
Rights issue cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,469)**	**(8,469)**
Coupon on Tier 1 instrument	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(44,401)**	**(44,401)**
Treasury shares sold	**-**	**-**	**-**	**-**	**-**	**3,008**	**-**	**(214)**	**2,794**
Directors' remuneration and fees (note 24)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(20,850)**	**(20,850)**
Transfer to Special reserve (note 15)	**-**	**-**	**43,786**	**-**	**-**	**-**	**-**	**(43,786)**	**-**
Transfer to Statutory reserve (note 15)	**-**	**-**	**-**	**43,786**	**-**	**-**	**-**	**(43,786)**	**-**
Balance at 31 December 2025	**3,093,826**	**550,875**	**121,904**	**150,828**	**9,311**	**-**	**(16,268)**	**121,179**	**4,031,655**
At 1 January 2024	2,062,550	550,875	48,022	76,946	9,311	(3,885)	(119,170)	(334,904)	2,289,745
Net profit for the year	-	-	-	-	-	-	-	300,960	300,960
Other comprehensive income for the year	-	-	-	-	-	-	20,939	-	20,939
Total comprehensive income for the year	-	-	-	-	-	-	20,939	300,960	321,899
Coupon on Tier 1 instrument	-	-	-	-	-	-	-	(44,401)	(44,401)
Treasury shares acquired	-	-	-	-	-	877	-	(10)	867
Directors' remuneration (note 24)	-	-	-	-	-	-	-	(16,625)	(16,625)
Transfer to Special reserve (note 15)	-	-	30,096	-	-	-	-	(30,096)	-
Transfer to Statutory reserve (note 15)	-	-	-	30,096	-	-	-	(30,096)	-
Balance at 31 December 2024	2,062,550	550,875	78,118	107,042	9,311	(3,008)	(98,231)	(155,172)	2,551,485

The notes on pages 13 to 80 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 1 - 7.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	*Year ended 31 December* **2025** **AED'000**	2024 AED'000 (Restated)*
Operating activities			
Net profit for the year		**437,857**	300,960
Adjustments for:			
Depreciation and amortization		**21,147**	22,061
Provision for corporate tax	23	**44,000**	29,811
Gain on sale of property and equipment		**(30)**	(104)
Gain on sale of assets acquired in settlement of debt	10	**(15,320)**	-
Impairment on assets acquired in settlement of debt	21	**9,950**	9,260
Net credit impairment charge/(reversal)	21	**5,762**	(7,232)
Amortization of commission paid on medium term borrowing		**2,003**	1,837
Amortisation of premium paid on investments and Islamic instruments		**4,795**	3,879
Net fair value gain on disposal of investments and Islamic instruments		**(47,594)**	(331)
Loss on write off of property, equipment and capital work-in-progress		**-**	4,417
Operating cash flows before movements in working capital		**462,570**	364,558
Changes in operating assets and liabilities:			
Loans and advances and Islamic financing receivables		**(3,126,251)**	(2,186,800)
Balances with UAE Central bank maturing after three months		**(200,000)**	-
Due from banks maturing after three months	6	**(4,837)**	1,480
Other assets and customer acceptances		**199,738**	(368,322)
Due to banks maturing after three months		**577,924**	(1,420,227)
Customer deposits and Islamic customer deposits	12	**4,231,546**	3,339,533
Other liabilities and customer acceptances		**(196,132)**	305,933
Net cash from operating activities		**1,944,558**	36,155
Investing activities			
Purchase of property, equipment and capital work-in-progress	9	**(70,267)**	(46,007)
Purchase of investments and Islamic instruments		**(3,115,118)**	(1,481,349)
Proceeds from redemption / sale of investments and Islamic instruments		**1,417,800**	601,684
Proceeds from sale of assets acquired in settlement of debt		**29,000**	-
Proceeds from sale of property and equipment		**30**	129
Net cash used in investing activities		**(1,738,555)**	(925,543)
Financing activities			
Proceeds from medium term borrowings	13	**1,000,000**	-
Repayment of medium term borrowings	13	**(734,600)**	-
Commission paid on medium term borrowings		**(4,200)**	-
Proceeds from rights issue	15	**1,031,276**	-
Rights issuance cost		**(8,469)**	-
Net sale of treasury shares		**2,794**	867
Coupon paid on Tier 1 instrument		**(44,401)**	(44,401)
Net cash from/ (used in) financing activities		**1,242,400**	(43,534)
Net change in cash and cash equivalents		**1,448,403**	(932,922)
Cash and cash equivalents at 1 January		**704,592**	1,637,514
Cash and cash equivalents at 31 December	33	**2,152,995**	704,592

* Refer to Note 34 for details of restated comparative financial information.

The notes on pages 13 to 80 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 1 - 7.

1 LEGAL STATUS AND ACTIVITIES

United Arab Bank P.J.S.C. (the "Bank") was incorporated in 1975 as a Private Joint Stock Company in the Emirate of Sharjah. The legal form of the Bank was converted to a public company with limited liability in 1982 by a decree of His Highness The Ruler of Sharjah and has been registered as a Public Joint Stock Company under the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Bank's registered office is located in the Emirate of Sharjah, United Arab Emirates. The address of the registered office is PO Box 25022, Sharjah, United Arab Emirates.

On 8 September 2025, the UAE Federal Decree Law No. (6) of 2025 regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business was issued and came into effect on 16 September 2025 which repealed the UAE Federal Law No. 14 of 2018. The Bank must within a period not exceeding one year from the date of the enforcement of its provisions from 16 September 2025 ("the transitional period") comply with the provisions of the UAE Federal Decree Law No. (6) of 2025.

The Bank carries out the business of commercial banking through its offices and branches in the United Arab Emirates. The Bank also carries out Islamic banking operations through Islamic banking windows at selected branches.

2 BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared on a going concern basis as management is satisfied that the Bank has adequate resources to continue as a going concern for the foreseeable future, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and the requirements of applicable laws in the UAE. IFRS Accounting Standards comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Standard Interpretations Committee ("IFRS IC").

The Bank is in compliance with applicable provisions of the UAE Companies Law No. 32 of 2021, as amended and the UAE Federal Decree- Law No. 6 of 2025 as at the date of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 9 February 2026.

3 MATERIAL ACCOUNTING POLICIES

3.1 New and revised International Financial Reporting Standards

3.1.1 Standards, amendments and interpretations that are effective for the Bank's accounting period beginning on 1 January 2025

The following amendment to existing IFRS accounting standards became effective for annual periods beginning from 1 January 2025.

- Lack of Exchangeability (amendments to IAS 21)

In August 2023, the IASB amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not. Prior to these amendments, IAS 21 set out the exchange rate to use when exchangeability is temporarily lacking, but not what to do when lack of exchangeability is not temporary.

The amendment had no impact on the financial statements of the Bank as at 31 December 2025.

3.1.2 Standard issued but not yet effective

The new and amended standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's financial statements are described below.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.1 New and revised International Financial Reporting Standards (continued)

3.1.2 Standard issued but not yet effective (continued)

(a) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments. These amendments:

- Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- Update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

(b) IFRS 18 Presentation and Disclosure in Financial Statements (effective from 1 January 2027)

This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss.

The key new concepts introduced in IFRS 18 relate to

- The structure of the statement of profit or loss with defined subtotals;
- Requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss;
- Required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

The Bank is currently evaluating these amendments. The Bank will adopt it when the amendment becomes effective.

3.2 Basis of measurement

The Bank's financial statements are prepared under the historical cost convention except for the following:

- derivative financial instruments are measured at fair value; and
- financial assets at FVTPL and FVOCI are measured at fair value;

3.3 Functional and presentation currency

The Bank's financial statements have been presented in Arab Emirates Dirhams (AED), which is the presentation currency of the Bank and also the functional currency of the Bank and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument for another entity. All assets and liabilities in the statement of financial position are financial instruments except property and equipment, assets acquired in settlement of debts, capital work-in-progress, prepayments, provision for employee service benefits and shareholders' equity.

3.4.1 Classification

On initial recognition a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The classification requirements for debt and equity instruments are described below.

<u>Debt instruments</u>

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

The classification depends on the Bank's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Based on these factors, the Bank classifies its debt instruments into one of three measurement categories:

- Amortised Cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as explained in Note 3.4.14. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- FVOCI – Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest Income' using the effective interest rate method.

- FVTPL – Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement in the period in which it arises.

The business model reflects how the Bank manages its assets in order to generate cash flows that is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

3.4.1 Classification (continued)

Debt instruments (continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI' test). In making this assessment, the Bank considers whether contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangements, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Equity instruments at FVOCI are not subject to an impairment assessment.

All other financial assets are classified and measured at FVTPL.

3.4.2 Recognition and initial measurement

The Bank initially recognises loans and advances and deposits on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.4.3 Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal re-payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts including initial transaction costs are included in the carrying amount of the related instrument.

3.4.4 Subsequent measurement

Subsequent to initial recognition, all financial instruments to be fair valued are measured at fair value, except any instrument that does not have a reliably measurable fair value, in which case financial instruments are measured as set out in the fair value measurement principles below.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

3.4.4 Subsequent measurement (continued)

All other assets are measured at amortised cost using the effective interest method less impairment losses, if any.

3.4.5 Gains and losses on subsequent measurement

(a) Debt Investments

Gains and losses arising from changes in the fair value of FVOCI investments are recognised directly in equity through other comprehensive income, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of income. Changes in the fair value of FVTPL investments are subsequently recognised in the profit or loss.

(b) Equity Investments

Gains and losses arising from changes in the fair value on equity investments are recognized in comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established.

3.4.6 De-recognition

Financial assets are derecognised when the contractual rights to receive cash flows from the asset expire or where the Bank has transferred substantially all the risks and rewards of ownership.

The Bank 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. Examples of such transactions are repurchase agreements.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

3.4.7 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 in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

3.4.7 Fair value measurement (continued)

If an asset or a liability measured at fair value has a bid price and an offer price, the Bank measures its assets, liabilities, long and short positions at mid-market rate (which is computed as an average of the bid and offer price).

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.4.8 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances arise when cash is advanced to a debtor with no intention of trading the receivable. Loans and advances are carried at amortised cost.

3.4.9 Investments

The ‘investment securities’ caption in the statement of financial position includes:

- debt securities measured at FVOCI and amortized cost; and
- equity investment securities designated as at FVOCI.

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described in Note 4.2.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for interest revenue using the effective interest method which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

3.4.10 Due from banks

Due from banks and financial institutions are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate less allowance for impairment, if any.

3.4.11 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the Central Bank, deposits with the Central Bank with an original maturity of three months or less, and amounts due from (to) banks on demand or with an original maturity of three months or less.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

3.4.12 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, with premium received included in 'Other liabilities'. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in 'Provision for credit losses'. The premium received is recognised in the statement of income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

3.4.13 Derivatives and hedges

The Bank enters into derivative instruments including forwards, futures, forward rate agreements, swaps and options in foreign exchange, interest rate and capital markets. In the normal course of business, the fair value of a derivative on initial recognition is the transaction price included in other income/expenses. Subsequent to their initial recognition, derivative financial instruments are stated at fair values where they are designated as part of a hedging relationship and classified as a hedging instrument. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. Changes in the fair values of derivatives held for trading or to offset other trading positions are included in other operating income (expenses) in the statement of income.

As permitted by IFRS 9, the Bank has elected to continue to apply the hedge accounting requirements of IAS 39.

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is / are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Changes in the fair value of derivatives that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk are included in other operating income / (expenses) along with the corresponding changes in the fair value of the hedged assets or liabilities which are attributable to the risk being hedged.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Upon such discontinuance, in the case of fair value hedges of interest-bearing financial instruments any adjustment to the carrying amount relating to the hedged risk is amortised in the statement of income over the remaining term to maturity.

Certain derivative transactions, while providing effective economic hedges under the Bank's asset and liability management and risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore accounted for as derivatives held for trading and the related fair value gains and losses reported in other operating income (expenses).

3 MATERIAL ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

3.4.14 Impairment of financial assets

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on financial instruments accounted for at amortised cost and FVOCI.

(i) Stage 1: 12-months ECL

When financial instruments are first recognized, the bank recognizes an allowance based on 12-month ECLs. 12-month ECLs are the portion of ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Stage 2: Lifetime ECL – not credit impaired

When a financial instrument has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses (LTECL). LTECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

(iii) Stage 3: Lifetime ECL – credit impaired

For financial instruments that are deemed credit-impaired, the Bank records an allowance for Lifetime Expected Credit Losses (LTECLs). The Bank also considers relevant regulatory requirements, in the context of the alignment of those requirements with IFRS, in the estimation of ECL in respect of Stage 3 exposures.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost and FVOCI: as a deduction from the gross carrying amount of the assets and adjustments to OCI respectively; and
- loan commitments and financial guarantee contracts: as a provision in other liabilities

3.5 Renegotiated loans

Where possible, the Bank seeks to renegotiate loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

3.6 Write-off

The Bank writes off its loans and advances, Islamic financing receivable balances or other financial asset (and any other related allowances for impairment losses) when the Bank’s credit determines that such financial assets are uncollectible in whole or in part. This is determined after considering information such as the occurrence of significant changes in the borrower or issuer’s financial position such that the borrower or issuer can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Assets are written-off against provisions up to the extent of amount considered un-collectible.

However, the Bank retains its full legal claim on, and may continue with its recovery effort including litigation, on written-off accounts.

Subsequent recoveries of amounts previously written off are recognised in the statement of income.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.7 Assets acquired in settlement of debts

In certain cases, the Bank may close out transactions by acquiring assets in settlement of debts. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment losses) at the date of exchange. No depreciation is provided in respect of these assets. These assets are recorded in “Other assets”.

Any subsequent write-down of the acquired asset to fair value less costs to sell is recorded as an impairment loss and included in the statement of income. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative impairment loss, is recognised in the statement of income. The Bank’s collateral disposal policy is in line with the respective regulatory requirement of the regions in which the Bank operates.

3.8 Revenue recognition

For all financial instruments measured at amortised cost and debt financial instruments classified as FVOCI and Islamic financial instruments, interest income / profit or expense is recorded at the effective interest/profit rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest/profit rate and the change in carrying amount is recorded as interest/profit income or expense. The interest/profit income / expense accrual on the assets / liabilities linked to Risk Free Rate (RFR) indexes will follow the standard market conventions relating to respective RFRs.

For financial assets that were credit-impaired on initial recognition, interest/profit income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest/profit income does not revert to a gross basis, even if the credit risk of the asset improves.

Fees earned for provision of services over a period of time are accrued over that period. These fees include commission income on letter of credits, guarantees and others, custody and other management advisory fees.

Foreign exchange income includes income from trading in foreign currencies as well as revaluation gains and losses.

Other fee income and expense are recognised when earned or incurred. Dividend income is recognised when the right to receive payment is established.

3.9 Property, equipment and capital work-in-progress

Property and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. Freehold land is not depreciated as it is deemed to have an indefinite life. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates

3 MATERIAL ACCOUNTING POLICIES (continued)

3.9 Property and equipment (continued)

Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment as follows:

Buildings	Over 25 years
Motor vehicles	Over 5 years
Furniture	Over 8 years
Equipment	Over 4 years
Fixtures and leasehold improvements	Over 8 years
Computer software and hardware	Over 7 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property 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 recognised in 'Other operating income' in the statement of income in the year the asset is derecognised.

Capital work-in-progress is reviewed periodically to assess the recoverability and continued viability of projects under development. CWIP balances relating to projects that are no longer expected to be completed, have become obsolete, or are deemed not economically feasible are written off to the statement of profit or loss in the period in which such determination is made. The write-off reflects management's assessment that no future economic benefits are expected from the related expenditures.

3.10 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and the costs to settle the obligation are both probable and can be reliably measured. The expense relating to any provision is presented in the statement of income net of any reimbursement.

3.11 Employees' end of service benefits

Provision is made for the end of service benefits due to employees in accordance with the UAE labor law for their period of service up to the financial position date and the provision arising disclosed as 'provision for employees' end of service benefits' in the statement of financial position. The Bank pays its contributions in respect of UAE citizens under the UAE pension and social security law and no further liability exists.

3.12 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into United Arab Emirates Dirhams at mid-market rates of exchange ruling at the balance sheet date. Any resultant gains and losses are taken to the statement of income.

3.13 Segment reporting

The Bank's segmental reporting is based on the following operating segments: Wholesale banking, Retail banking and Treasury and capital markets.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.14 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated based on the higher of fair value less costs to sell and value in use. The reduction in carrying amount is recognised in the income statement.

3.15 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the asset is delivered to the counter party. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

3.16 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

3.17 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

3.18 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

3.19 Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. After acceptance, the instrument becomes an unconditional liability of the Bank and is therefore recognised as a financial liability in the statement of financial position. However, every acceptance has a corresponding contractual right of reimbursement from the customer which is recognised as a financial asset.

3.20 Islamic financing and investment products

In addition to conventional banking products, the Bank offers its customers certain Sharia-compliant banking products, which are approved by its Internal Sharia Supervisory Committee (ISSC).

The various Islamic instruments described below are accounted for, disclosed and presented in accordance with the requirements of the underlying substance of the instruments and IFRS / IAS / IFRIC.

Murabaha:

Murabaha is a sale transaction in which the seller (Bank) expressly mentions the actual cost of the asset to be sold to the customer and sells it to the customer on a cost-plus mark-up (profit) basis. It is in fact the sale of an asset for a profit, usually on deferred payment basis.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.20 Islamic financing and investment products (continued)

Murabaha: (continued)

Income on Murabaha financing is recognised on a time apportioned basis over the period of the Murabaha contract, using the effective profit rate method.

Tawarruq:

A form of Murabaha transaction where the Bank purchases a commodity and sells it to the customer at agreed-upon deferred installment terms. The customer sells the underlying commodity at spot to a third party and uses the proceeds for his financing requirements.

Ijara:

Ijara involves a contract where the Bank buys and then leases an item to a customer for a specified rental over a specific period. The duration of lease, as well as the basis for rental, are set and agreed in advance. The Bank acquires the beneficial ownership of the property to lease the usufruct to the customer.

Income on Ijara financing is recognised on a time apportioned basis over the lease term, using the effective profit rate method.

Qard:

A Qard is the transfer of ownership in tangible wealth (money), from the customer to the Bank, and it is binding on the Bank to return equal wealth (money) to the customer on demand or as per the agreed terms, which means that the principal is to be repaid on demand. The Islamic current account offered to customers is based on the concept of Qard, an amount deposited by the customer to the Bank, on which no profit or other form of return is payable.

Wakala:

Wakala involves an agreement, based on the concept of Wakala Bil Istithmar, where the Bank becomes the investment agent (Wakil) for its customers (Muwakkil) for deposit of their funds in the Wakala investment account to be invested in Shariah-compliant investment instruments. The funds are used to generate profit for the customer by investing in Islamic financing facilities to the Bank's other customers or investing in other Shariah-compliant investment instruments.

Income generated from the Wakala deposits are paid to the customers and the Bank recognizes a corresponding expense in the statement of income. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the agent; otherwise, they are borne by the principal.

Mudaraba:

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

Profit distribution mechanism:

Islamic deposits are invested and managed in accordance with Sharia requirements through Mudaraba pool and profit is distributed in accordance with the Sharia-approved profit distribution policy.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.20 Islamic financing and investment products (continued)

The Bank applies weightages to Mudaraba accounts based on their type and tenure to ensure a fair profit distribution system. These weightages are reviewed and approved by the ISSC periodically. These weightages reflect the level of investment commitment and associated risk for each account type. They ensure a transparent and Sharia-compliant distribution of profits. The weightages are a variable factor and may change. Customers are informed through the Bank's website on a quarterly basis if there are any changes to weightages for any category of Mudaraba deposit.

3.21 Leases

Right-of-use assets:

The Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities:

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

During the year, the bank has elected not to recognise right of use assets and lease liabilities and avail the short-term lease exemption in accordance with IFRS 16. Payments associated with low value and short term leases (lease term of 12 months or less) are recognised on a straight line basis over the lease term as an expense in the statement of profit and loss. The change in the accounting policy does not have a material impact on the Bank's financial statements.

The Bank has the option, under some of its leases to lease the assets for an additional term. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Determination of the lease term for lease contracts with renewal and termination options

The Bank 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.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or

3 MATERIAL ACCOUNTING POLICIES (continued)

3.21 Leases (continued)

termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as credit rating, or to reflect the terms and conditions of the lease).

3.22 Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

3.23 Income taxes and deferred taxes

The UAE Ministry of Finance ("MOF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE.

As the Bank's accounting year ends on 31 December, the tax period will be 1 January 2025 to 31 December 2025, with the return to be filed on or before 30 September 2026.

The taxable income of the bank in scope for UAE CT purposes will be subject to the rate of 9% corporate tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Bank generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be settled with the tax authorities.

Deferred tax is accounted for using the asset and liability method. Deferred tax assets and liabilities are recognised for the full tax consequences of all temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Recognition of deferred tax assets are, however, restricted to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured using tax rates that are expected to apply to the period in which the asset is expected to be realised or the liability is expected to be settled.

4 SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

4.1 Classification of financial assets

The Bank classifies financial assets based on an assessment within which the assets are held and whether the contractual terms of the financial asset meet the solely payments of principal and interest on the principal amount outstanding. This assessment ensures that the measurement basis of financial assets is aligned with the Bank's risk management strategy and objective.

4.2 Impairment of financial assets

The Bank recognizes loss allowances for Expected Credit Losses (ECLs) on the following financial instruments, where applicable:

- Balances with central banks;
- Due from banks;
- Debt investment securities and Islamic instruments;
- Loans and advances, Islamic financing, and other financial assets;
- Loan commitments;
- Financial guarantee contracts.

Credit risk grades

The bank assigns each exposure to a credit risk grade based on a variety of data deemed predictive of default risk, applying prudent credit judgment. These grades are determined using combination of qualitative and quantitative factors that reflect the likelihood of default, customized to the nature of the exposure and the borrower’s profile.

At initial recognition, each exposure is assigned to a credit risk grade based on the available information about the borrower. Exposures are continuously monitored, and this ongoing monitoring may lead to a reassignment of the exposure to a different credit risk grade.

The Bank utilizes internal credit risk grades as a key factor in determining the probability of default for individual facilities. Below is a snapshot of the Bank's credit risk grading system.

4 SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES (continued)

4.2 Impairment of financial assets (continued)

Credit risk grades (continued)

S. No.	Internal Rating Grades	Equivalent External Rating	TTC PD	Description	Grade
1	1	AAA	0.13%	Strong	High
2	2+	AA+	0.13%	Very Good	
3	2	AA	0.13%		
4	2-	AA-	0.14%		
5	3+	A+	0.15%	Good	Standard
6	3	A	0.17%		
7	3-	A-	0.19%		
8	4+	BBB+	0.23%	Satisfactory	
9	4	BBB	0.28%		
10	4-	BBB-	0.36%		
11	5+	BB+	0.48%	Acceptable	
12	5	BB	0.67%		
13	5-	BB-	0.96%		
14	6+	B+	1.46%	Marginal	
15	6	B	2.30%		
16	6-	B-	3.78%		
17	7+	CCC+	6.46%	Internal Watch list	Watchlist
18	7	CCC	11.33%	OLEM	
19	7-	CCC-	19.97%		
20	8	CC	100.00%	Sub Standard	Default
21	9	C	100.00%	Doubtful	
22	10	D	100.00%	Loss	

The grading criteria for the retail portfolio as below:

Standard	Watchlist	Default
DPD 0- 30 days	DPD 31- 90 days	Greater than 90 days

Importance of staging criteria

Staging is a critical component in determining the IFRS 9 Expected Credit Loss (ECL), as it governs the classification of loans/financings into different stages. Loans/ financings in Stage 1 are subject to a 12-month ECL, while those in Stage 2 are subject to a lifetime ECL. Under IFRS 9, staging is based on the assessment of changes in the credit quality of loans from their initial recognition. Loans/ financings classified under Stage 3 show objective evidence of impairment.

The Bank assesses Significant Increase in Credit Risk (SICR) by comparing the risk of default estimated at origination with the risk of default at the reporting date. This transition is visualized through a staging matrix reflecting the movement from origination rating to the current rating. In addition to the credit risk grading changes, indicators such as DPD and restructure are also considered.

For retail accounts, SICR criteria primarily rely on Days Past Due (DPD) thresholds, supplemented by qualitative indicators such as job loss, skip signals, or an identified unlikeliness to pay. For all other exposures, the Bank incorporates broader qualitative factors including significant negative changes in business operations, actual or expected forbearance, and early indicators of cash flow or liquidity strain.

4 SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES (continued)

4.2 Impairment of financial assets (continued)

Determining the stage for impairment

The Bank considers a financial asset to be in default when:

- The borrower is past due more than 90 days on any material credit obligation.
- The borrower is deemed 'unlikely to pay' its credit obligations to the bank in full without recourse to actions such as realizing security.

Significant increase in credit risk (SICR)

The Bank monitors all financial assets, issued loan/financing commitments, and financial guarantee contracts to assess whether there has been a significant increase in credit risk since initial recognition. This assessment is performed on a monthly basis for each individual exposure.

Quantitative thresholds are established for the significant increase in credit risk by comparing the risk of default estimated at origination with the risk of default at the reporting date based on movements in credit ratings. The bank also employs an Early Warning Indicator (EWI) framework to identify potentially higher-risk customers within performing customers.

The assessment considers both quantitative and qualitative information, including:

- Internal risk grades and external credit ratings (where available);
- Actual or expected adverse changes in business, financial, or economic conditions;
- Significant changes in the value of collateral;
- Macro-economic information such as oil prices, GDP, real imports and general government finance expenditure/revenue;
- Incorporation of forward-looking economic scenarios.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD): An estimate of the likelihood of default over a given time horizon, derived from statistical rating models tailored to various counterparty categories.
- Loss Given Default (LGD): LGD is an estimate of the loss arising on default, based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. LGD models consider forecasts of future collateral valuation, sale discounts, time to realization of collateral, cross-collateralization, and seniority of claim.
- Exposure at Default (EAD): The expected exposure in the event of default, including potential future drawdowns on lending commitments based on historical observations.

These parameters are generally derived from internally developed statistical models, other historical data, and forward-looking information.

4 SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES (continued)

4.2 Impairment of financial assets (continued)

Measurement of ECL (continued)

ECLs are an unbiased probability-weighted estimate of the present value of credit losses, determined by evaluating a range of possible outcomes and measured as follows.

- For financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).
- For financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.
- For undrawn commitments, ECL is based on the potential exposure, which considers the likelihood that the commitment will be utilized and the resulting credit risk.
- For financial guarantee contracts, ECL is based on the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The Bank incorporates forward-looking information into its assessment of credit risk and ECL measurement. This includes economic scenarios (base, upside, downside) and key macroeconomic indicators such as oil prices, GDP growth, and real imports and general government finance expenditure/revenue.

The table below summarizes key macroeconomic indicators included in the economic scenarios in the UAE at 31 December 2025 for the years ending 2025 to 2028:

Macroeconomic variables As at 31 December 2025	Scenario	Assigned probabilities	2025	2026	2027	2028
Real Imports of Goods and Services (AED)	Base	40%	1928.14	2019.69	2067.15	2118.53
	Upside	20%	1928.14	2043.61	2129.31	2208.91
	Downside	40%	1928.14	1818.83	1823.41	1877.72
General Government Finance: Expenditure (AED)	Base	40%	513.22	565.22	605.29	644.26
	Upside	20%	513.22	577.36	648.67	689.41
	Downside	40%	513.22	546.59	525.71	547.17
General government debt to GDP ratio (%)	Base	40%	33.25	34.64	34.92	34.32
	Upside	20%	33.25	29.38	29.41	29.80
	Downside	40%	33.25	46.00	50.29	45.92
Share Price Index: ADX General Index	Base	40%	10057.66	9932.76	9994.82	10154.46
	Upside	20%	10057.66	10623.01	10652.01	10743.68
	Downside	40%	10057.66	7399.61	7791.16	8352.33
House Price Index: Real	Base	40%	164.20	174.52	182.06	189.71
	Upside	20%	164.20	179.68	190.59	198.89
	Downside	40%	164.20	147.19	143.28	149.36
Real Net Exports of Goods and Services (AED)	Base	40%	60.57	85.50	117.80	164.32
	Upside	20%	60.57	85.62	104.42	146.58
	Downside	40%	60.57	74.14	134.34	168.49
Real Gross Domestic Product [GDP] (AED)	Base	40%	1903.43	1996.09	2079.97	2170.08
	Upside	20%	1903.43	2049.33	2147.37	2240.39
	Downside	40%	1903.43	1877.35	1916.38	2035.85
Brent crude oil 1-month forward (USD)	Base	40%	63.65	64.04	67.06	68.72
	Upside	20%	63.65	69.66	70.23	69.93
	Downside	40%	63.65	41.99	57.47	66.62
General Government Finance: Revenue (AED)	Base	40%	523.76	545.80	577.54	611.59
	Upside	20%	523.76	644.60	611.27	641.30
	Downside	40%	523.76	386.03	479.85	538.45

4 SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES (continued)

4.2 Impairment of financial assets (continued)

Sensitivity analysis

From a sensitivity analysis perspective, had the weightage of the adverse scenario been increased by 10% with a corresponding decrease of 10% in upside scenario, the S1/S2 impairment loss allowance would have increased by approximately AED 5.7M. This approach ensures a conservative assessment by focusing on adverse conditions, aligning with the Bank's prudent credit risk management framework.

Impact of CBUAE Regulations

Following the implementation of the Credit Risk Management Regulations and Standards (Circular No. 3/2024), the Bank has integrated the requirements into its impairment framework. These regulations have led to the following changes:

- Enhanced requirements for the identification and measurement of ECLs, including the use of more granular data and forward-looking scenarios.
- Strengthened criteria for the assessment of significant increases in credit risk and unlikeliness to pay indicators.

The calculation process, the methodology and the results for provisions have been reviewed and approved by the Committee responsible for the oversight of provisions. Accordingly, the responsible Committee has formally reviewed as presented by the CRO the calculation process, the methodology and results of the provision. Therefore, the provisions have been presented and approved by the Board or delegated body of the Board.

4.3 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

4.4 Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in UAE and in other jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

5 CASH AND BALANCES WITH UAE CENTRAL BANK

	2025	2024
	AED'000	*AED'000*
Cash on hand	**49,525**	48,684
Balances and statutory reserve requirements with UAE Central Bank	**940,086**	226,540
Overnight Deposit Facility and Certificate of Deposits	**1,500,000**	1,950,000
	2,489,611	2,225,224

As per the CBUAE regulations, the Bank is allowed to draw their balances under specified conditions held in the UAE reserve account, while ensuring that they meet the reserve requirements over a 14 day period.

The UAE Central Bank balances are high grade in nature. Cash and balances with UAE Central Bank is classified under stage 1 as per IFRS 9. However, as these instruments are considered to have low credit risk, expected credit losses are considered to be immaterial and therefore no provision has been recognised.

6 DUE FROM BANKS, NET

	2025	2024
	AED'000	*AED'000*
Demand deposits	**816,380**	285,368
Term deposits	**325,000**	300,000
Less: Expected Credit Loss	**(332)**	(222)
	1,141,048	585,146

Demand deposits includes AED 5,057 thousand (31 December 2024: AED 220 thousand) as margin for derivative transactions.

Gross amounts of due from banks by geographical area:

	2025	2024
	AED'000	*AED'000*
Within UAE	**334,090**	311,817
Within GCCs	**36,303**	15,344
Other countries	**770,987**	258,207
	1,141,380	585,368

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES, NET

The composition of loans and advances and Islamic financing receivables portfolio is as follows:

	2025	*2024*
	AED'000	*AED'000*
(a) By type:		
Overdrafts	**979,853**	1,186,866
Term loans (medium and short term)	**13,029,711**	10,029,966
Loans against trust receipts	**649,843**	597,788
Bills discounted	**91,455**	126,188
Other cash advances	**18,370**	20,133
Bills drawn under letters of credit	**214,079**	113,187
Gross loans and advances and Islamic financing receivables	**14,983,311**	12,074,128
Less: Provision for impairment on loans and advances and Islamic financing receivables	**(429,016)**	(547,771)
Net loans and advances and Islamic financing receivables	**14,554,295**	11,526,357

Term loans (medium and short term) includes retail loans of AED 3,079,973 thousand (31 December 2024: AED 2,069,674 thousand).

	2025	*2024*
	AED'000	*AED'000*
(b) By economic sector:		
Real estate	**2,875,599**	1,958,608
Personal-retail mortgage	**2,432,116**	1,603,185
Government and public sector	**802,548**	743,584
Trade	**829,308**	987,882
Personal loans (retail and business)	**979,700**	849,273
Manufacturing	**923,810**	719,214
Construction	**70,257**	150,265
Services	**2,435,947**	1,797,360
Financial institutions	**3,563,862**	2,766,930
Transport and communication	**69,054**	427,433
Others	**1,110**	70,394
	14,983,311	12,074,128

Islamic financing gross receivables amount to AED 2,385,457 thousand (31 December 2024: AED 1,261,475 thousand) recognized through the Bank's Shari'a – compliant Islamic window.

Movement in the gross balances of loans and advances and Islamic financing receivables

	Stage 1	***Stage 2***	***Stage 3***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***
Gross carrying amount as at 31 December 2024	**11,392,369**	**216,525**	**465,234**	**12,074,128**
Changes due to financial assets recognized in the opening balance that have				
Transferred from Stage 1	**(387,346)**	**178,198**	**209,148**	**-**
Transferred from Stage 2	**10,625**	**(14,782)**	**4,157**	**-**
Transferred from Stage 3	**-**	**12,777**	**(12,777)**	**-**
Net of new assets originated or purchased	**3,172,588**	**(16,600)**	**(70,715)**	**3,085,273**
Write-offs	**-**	**-**	**(176,090)**	**(176,090)**
As at 31 December 2025	**14,188,236**	**376,118**	**418,957**	**14,983,311**

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES, NET (continued)

Movement in the gross balances of loans and advances and Islamic financing receivables (continued)

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Gross carrying amount as at 31 December 2023	9,044,063	471,210	496,662	10,011,935
Changes due to financial assets recognized in the opening balance that have				
Transferred from Stage 1	(15,317)	11,215	4,102	-
Transferred from Stage 2	63,020	(175,336)	112,316	-
Transferred from Stage 3	1	2,663	(2,664)	-
Net of new assets originated or purchased	2,300,602	(93,227)	(79,263)	2,128,112
Write-offs	-	-	(65,919)	(65,919)
As at 31 December 2024	11,392,369	216,525	465,234	12,074,128

Movement in provision for impairment of loans and advances and Islamic financing receivables

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Balance as at 31 December 2024	**102,087**	**117,510**	**328,174**	**547,771**
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	**(71,226)**	**12,807**	**58,419**	-
Transferred from lifetime ECL not credit-impaired	**252**	**(1,050)**	**798**	-
Transferred from lifetime ECL credit-impaired	-	**11,473**	**(11,473)**	-
Transferred to ECL on commitments and contingent liabilities	-	-	-	-
Net impairment charge/(release) to income statement	**59,128**	**(11,654)**	**9,861**	**57,335**
Release to income statement	-	-	-	-
Write-offs	-	-	**(176,090)**	**(176,090)**
As at 31 December 2025	**90,241**	**129,086**	**209,689**	**429,016**

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES, NET (continued)

Movement in provision for impairment of loans and advances and Islamic financing receivables (continued)

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2023	130,431	169,779	354,432	654,642
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	(21,824)	7,336	14,488	-
Transferred from lifetime ECL not credit-impaired	8,991	(49,938)	40,947	-
Transferred from lifetime ECL credit-impaired	-	637	(637)	-
Transferred to ECL on commitments and contingent liabilities	(10,395)	-	4,780	(5,615)
Net impairment charge/(release) to income statement	(5,116)	(10,304)	3,487	(11,933)
Release to income statement	-	-	(23,404)	(23,404)
Write-offs	-	-	(65,919)	(65,919)
As at 31 December 2024	102,087	117,510	328,174	547,771

Sector wise analysis of impaired loans and advances and Islamic financing receivables in the default category and related provisions is as follows:

	2025		*2024*	
	Gross exposure AED'000	***Impairment provision AED'000***	*Gross exposure AED'000*	*Impairment provision AED'000*
By economic sector				
Real estate	**145,141**	**115,634**	295,595	172,741
Personal-retail mortgage	**17,554**	**2,209**	28,241	17,569
Trade	**1,476**	**1,458**	64,401	64,358
Personal loans (retail and business)	**14,102**	**7,673**	22,414	20,285
Manufacturing	**27**	**27**	24,144	23,919
Construction	**753**	**753**	20,207	20,207
Services	**239,900**	**81,931**	2,740	2,737
Transport and communication	**4**	**4**	7,492	6,358
Total	**418,957**	**209,689**	465,234	328,174

The fair value of collateral that the Bank holds relating to loans and advances and Islamic financing receivables to corporate and retail customers individually determined to be impaired at 31 December 2025 amounts to AED 401,773 thousand (31 December 2024: AED 405,615 thousand). The collateral consists of cash, securities, charges over real estate properties, vehicles, plant and machinery, inventory, trade receivables, and guarantees from parent companies for loans to their subsidiaries or other Bank companies. The value of disclosed collateral (before haircut) is capped to the gross outstanding amount of the loan.

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES, NET (continued)

Grading of gross balances of loans and advances and Islamic financing receivables along with stages

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
High	**3,048,294**	**-**	**-**	**3,048,294**
Standard	**11,139,942**	**208,121**	**-**	**11,348,063**
Watch list	**-**	**167,997**	**-**	**167,997**
Default	**-**	**-**	**418,957**	**418,957**
Total gross carrying amount	**14,188,236**	**376,118**	**418,957**	**14,983,311**
Expected credit loss	**(90,241)**	**(129,086)**	**(209,689)**	**(429,016)**
As at 31 December 2025	**14,097,995**	**247,032**	**209,268**	**14,554,295**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
High	2,329,492	-	-	2,329,492
Standard	9,062,877	56,507	-	9,119,384
Watch list	-	160,018	-	160,018
Default	-	-	465,234	465,234
Total gross carrying amount	11,392,369	216,525	465,234	12,074,128
Expected credit loss	(102,087)	(117,510)	(328,174)	(547,771)
As at 31 December 2024	11,290,282	99,015	137,060	11,526,357

8 INVESTMENTS AND ISLAMIC INSTRUMENTS, NET

	2025			*2024*		
	Quoted AED'000	***Unquoted AED'000***	***Total AED'000***	*Quoted AED'000*	*Unquoted AED'000*	*Total AED'000*
Debt:						
FVOCI						
Local	**1,620,227**	-	**1,620,227**	2,057,585	-	2,057,585
Overseas	**3,225,249**	-	**3,225,249**	2,244,046	-	2,244,046
Amortised cost						
Local	**1,327,300**	-	**1,327,300**	569,585	-	569,585
Overseas	**1,701,991**	-	**1,701,991**	1,135,082	-	1,135,082
Total debt securities	**7,874,767**	-	**7,874,767**	6,006,298	-	6,006,298
Equity:						
FVOCI						
Local	-	**1,225**	**1,225**	-	849	849
Overseas	-	**76**	**76**	-	76	76
Total equities	-	**1,301**	**1,301**	-	925	925
Total investments	**7,874,767**	**1,301**	**7,876,068**	6,006,298	925	6,007,223
Expected credit loss and reserve			**(15,649)**			(2,242)
Net investments and Islamic instruments			**7,860,419**			6,004,981

8 INVESTMENTS AND ISLAMIC INSTRUMENTS, NET (continued)

The Bank holds a stage 1 ECL allowance on its investment securities classified under FVOCI amounting to AED 10,953 thousand as at 31 December 2025 (31 December 2024: AED 29,260 thousand).

Included in the above are investment securities amounting to AED 1,867,039 thousand (31 December 2024: AED 1,460,843 thousand) secured under repurchase agreement with the lenders. The Banks holds an ECL allowance of AED 5,632 thousand (31 December 2024: AED 2,447 thousand) on these investment securities secured under repurchase agreements.

Investments and Islamic instruments are classified under stage 1 as per IFRS 9.

An analysis of the investment based on external credit ratings is as follows:

As at 31 December 2025	***Debt securities AED'000***	***Other investments AED'000***	***Total AED'000***
AA	**1,688,245**	**-**	**1,688,245**
AA-	**157,261**	**-**	**157,261**
A+	**673,560**	**-**	**673,560**
A	**414,777**	**-**	**414,777**
A-	**220,209**	**-**	**220,209**
BBB+	**440,782**	**-**	**440,782**
BBB	**606,843**	**-**	**606,843**
BBB-	**1,020,667**	**-**	**1,020,667**
BB+ and below	**2,487,137**	**-**	**2,487,137**
Unrated	**165,286**	**1,301**	**166,587**
Total investments	**7,874,767**	**1,301**	**7,876,068**
Expected credit loss and reserve	**(15,649)**	**-**	**(15,649)**
Net investments	**7,859,118**	**1,301**	**7,860,419**

As at 31 December 2024	*Debt securities AED'000*	*Other investments AED'000*	*Total AED'000*
AA	777,143	-	777,143
AA-	446,225	-	446,225
A+	626,928	-	626,928
A	416,763	-	416,763
A-	128,735	-	128,735
BBB+	167,061	-	167,061
BBB	356,403	-	356,403
BBB-	603,275	-	603,275
BB+ and below	2,341,174	-	2,341,174
Unrated	142,591	925	143,516
Total investments	6,006,298	925	6,007,223
Expected credit loss	(2,242)	-	(2,242)
Net investments	6,004,056	925	6,004,981

9 PROPERTY, EQUIPMENT AND CAPITAL WORK-IN-PROGRESS, NET

	Freehold land and buildings AED'000	***Computer software and hardware AED'000***	***Motor vehicles, leasehold improvements, furniture, fixtures and equipment AED'000***	***Capital work-in- progress AED'000***	***Total AED'000***
Cost or valuation:					
At 1 January 2025	**231,194**	**235,921**	**123,020**	**41,870**	**632,005**
Additions	-	**1,255**	**1,143**	**67,869**	**70,267**
Transfers	-	**47,445**	**5,221**	**(52,666)**	-
Write-offs	-	-	-	-	-
Sale/Disposals	-	-	-	-	-
At 31 December 2025	**231,194**	**284,621**	**129,384**	**57,073**	**702,272**
Accumulated depreciation:					
At 1 January 2025	**35,934**	**196,975**	**104,089**	**-**	**336,998**
Charge for the year	**3,292**	**14,051**	**2,436**	-	**19,779**
Write-offs	-	-	-	-	-
Sale/Disposals	-	-	-	-	-
At 31 December 2025	**39,226**	**211,026**	**106,525**	-	**356,777**
Impairment on properties	**(90,800)**	-	-	-	**(90,800)**
Net Carrying Value as At 31 December 2025	**101,168**	**73,595**	**22,859**	**57,073**	**254,695**

	Freehold land and buildings AED'000	*Computer software and hardware AED'000*	*Motor vehicles, leasehold improvements, furniture, fixtures and equipment AED'000*	*Capital work-in- progress AED'000*	*Total AED'000*
Cost or valuation:					
At 1 January 2024	231,194	208,908	121,032	29,709	590,843
Additions	-	9,382	2,416	34,209	46,007
Transfers	-	17,631	-	(17,631)	-
Write-offs	-	-	-	(4,417)	(4,417)
Sale/Disposals	-	-	(428)	-	(428)
At 31 December 2024	231,194	235,921	123,020	41,870	632,005
Accumulated depreciation:					
At 1 January 2024	32,640	183,593	102,459	-	318,692
Charge for the year	3,294	13,382	1,938	-	18,614
Write-offs	-	-	-	-	-
Sale/Disposals	-	-	(308)	-	(308)
At 31 December 2024	35,934	196,975	104,089	-	336,998
Impairment on properties	(90,800)	-	-	-	(90,800)
Net Carrying Value as At 31 December 2024	104,460	38,946	18,931	41,870	204,207

9 PROPERTY, EQUIPMENT AND CAPITAL WORK-IN-PROGRESS, NET (continued)

The cost of freehold land included above is AED 148,900 thousand (31 December 2024: AED 148,900 thousand). Management has completed the assessment of the carrying values of these plots of land and has accordingly recognised an impairment of AED Nil during 2025 (31 December 2024: Nil).

Intangible assets relating to computer software are included within computer software and hardware with a net carrying value of AED 68,033 thousand (31 December 2024: AED 33,866 thousand).

Description of the valuation techniques used and key inputs to valuation of properties is as follows:

Valuation technique	**Significant unobservable inputs**
DRC method (refer below)	Sales rate per sq ft on gross floor area (GFA) amended to incorporate negotiation, size and time adjustment for transactions
Sales Comparison method (refer below)	Negotiation adjustment of 15% has been applied to the current asking price for similar land parcels

Depreciated Replacement Costs ("DRC") method

The DRC method is based on the market value of the current use of the land in addition to the current gross replacement costs of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

Sales comparison method

This method involves analysing sales and asking prices of similar plots of land and comparing these to the property owned.

10 OTHER ASSETS, NET

	2025	*2024*
	AED'000	*AED'000*
Interest receivable	**210,445**	157,968
Positive fair value of derivatives (Note 25)	**22,865**	51,268
Prepayments and other assets	**152,658**	225,125
Right-of-use assets	**-**	8,494
Assets repossessed in settlement of debts, net (refer below)	**26,090**	49,720
	412,058	492,575

During the year, the Bank recognized a gain of AED 15,320 thousand (31 December 2024: AED Nil) on its properties which had a net carrying value of AED 13,680 thousand (31 December 2024: AED 13,680 thousand) at the time of sale. The management completed an assessment of the carrying values of the remaining properties in 2025 and has accordingly recognised AED 9,950 thousand impairment (31 December 2024: AED 9,260 thousand) for the year.

11 DUE TO BANKS

	2025 AED'000	2024 AED'000
Demand deposits	**16,256**	42,129
Term deposits	**3,325,181**	3,554,225
	3,341,437	3,596,354

Term deposits include borrowings through repurchase agreements of AED 1,690,002 thousand (2024: AED 1,234,446 thousand). Demand deposits include AED 12,854 thousand (31 December 2024: AED 35,623 thousand) held as margin for derivative transactions.

	2025 AED'000	2024 AED'000
Gross amounts due to banks by geographical area		
Within U.A.E.	**1,255,160**	1,236,345
Within GCC	**76,564**	6,159
Other countries	**2,009,713**	2,353,850
	3,341,437	3,596,354

12 CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS

	2025 AED'000	2024 AED'000
Term deposits	**11,335,947**	9,014,789
Current accounts	**5,949,144**	4,384,780
Call and saving accounts	**523,490**	177,466
	17,808,581	13,577,035

Customer deposits include Islamic customer deposits amounting to AED 2,607,891 thousand (31 December 2024: AED 2,091,426 thousand) undertaken through the Bank's Shari'a - compliant Islamic window.

13 MEDIUM TERM BORROWINGS

The Bank has arranged a term loan facility amounting to AED 1,000,000 thousand during 2025. The facility carries a floating interest rate, being margin over EIBOR and is repayable in full in December 2027.

The term loan facility arranged during December 2023 amounting to AED 734,600 thousand was matured and repaid during the year.

14 OTHER LIABILITIES

	2025 AED'000	2024 AED'000
Interest payable	**173,901**	166,380
Negative fair value of derivatives (Note 25)	**14,890**	12,149
ECL on off-balance sheet exposures (Note 26)	**19,271**	100,150
Staff related provisions	**25,410**	21,697
Accrued expenses	**64,954**	50,729
Un-presented cheques	**33,647**	54,313
Lease liability	**-**	7,180
Corporate tax liability	**44,026**	29,811
Deferred tax liability	**10,177**	2,071
Others	**144,177**	134,536
	530,453	579,016

14 OTHER LIABILITIES (continued)

In accordance with UAE labour law, the Bank provides for end of service benefit for its expatriate employees. Movements in the liability recognised in the statement of financial position in respect of end of service benefits are as follows:

	2025	*2024*
	AED'000	*AED'000*
Liability as at 1 January	**21,697**	18,886
Expense recognised in the statement of income	**5,300**	5,093
End of service benefits paid	**(1,587)**	(2,282)
Liability as at 31 December	**25,410**	21,697

15 SHARE CAPITAL AND RESERVES

(a) Share capital

The issued and fully paid-up share capital of the Bank comprises 3,093,825,974 (31 December 2024: 2,062,550,649) shares of AED 1 each.

In the Annual General Meeting held on 6 March 2025, the shareholders approved the increase of the paid-up share capital from 2,062,550,649 up to 3,093,825,974 by issuing 1,031,275,325 shares through rights issuance at nominal value of AED 1 per share. Subsequently in August 2025, the rights issue was fully subscribed. The transaction costs incurred towards the rights issuance are accounted for as a deduction from equity.

(b) Tier 1 instrument

On 30 March 2023, the Bank has issued a perpetual, non-callable 5.5 years Tier 1 Instrument ("instrument") of USD 150 million (AED 551 Million) which qualifies to be included as regulatory Tier 1 capital. The instrument constitutes direct, unsecured, non-convertible and sub-ordinated obligations of the Bank. Under the terms and conditions of the issue, the Bank may elect not to pay a coupon and has the option to call back the Instrument at the contractual reset date subject to Central Bank of UAE approval.

(c) Special reserve

UAE Federal Decree Law No. 6 of 2025 concerning the Central Bank, the Monetary System and Organisation of Banking requires that 10% of the net profit is transferred to a non-distributable special reserve until this reserve equals 50% of the paid up share capital. This reserve has a balance of AED 121,904 thousand (31 December 2024: AED 78,118 thousand) as of 31 December 2025.

(d) Statutory reserve

UAE Federal Decree Law No. 6 of 2025 and the Articles of Association of the Bank, require that 10% of the net profit is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve has a balance of AED 150,828 thousand (31 December 2024: AED 107,042 thousand) as of 31 December 2025.

(e) General reserve

The general reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the bank at an ordinary general meeting, on the recommendation of the Board of Directors. This reserve has a balance of AED 9,311 thousand (31 December 2024: AED 9,311 thousand) as of 31 December 2025.

15 SHARE CAPITAL AND RESERVES (continued)

(f) Dividends

The Board of Directors have recommended a cash dividend payout of 25% of the net profit, amounting to AED 0.035 per share for the financial year ended 31 December 2025 (31 December 2024: Nil). This is subject to the approval of the shareholders at the Annual General Assembly to be held in March 2026.

(g) Cumulative changes in fair value

Cumulative changes in fair value reserve includes the net change in fair value of FVOCI assets, deferred tax liability and the net change in allowance for expected credit loss . This reserve has a balance of negative AED 16,268 thousand (31 December 2024: negative AED 98,231 thousand) as of 31 December 2025.

16 INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING PRODUCTS

	2025 ***AED'000***	*2024* *AED'000*
Interest income:		
Loans and advances	**677,021**	653,702
Money market and interbank transactions	**134,822**	181,001
Debt investments securities	**316,586**	239,970
	1,128,429	1,074,673

Income from Islamic financing receivables:

	2025 ***AED'000***	*2024* *AED'000*
Ijarah	**84,814**	30,470
Sukuk investments	**37,697**	37,346
Tawarruq	**20,895**	13,350
Money market placements	**11,883**	30,416
Others	**7,491**	6,285
	162,780	117,867

17 INTEREST EXPENSE AND DISTRIBUTION TO DEPOSITORS

	2025 ***AED'000***	*2024* *AED'000*
Interest expense:		
Customer deposits	**369,372**	329,460
Medium term borrowing	**27,667**	33,005
Interbank transactions	**217,249**	250,240
	614,288	612,705

Distribution to Islamic depositors:

	2025 ***AED'000***	*2024* *AED'000*
Wakala deposits	**74,389**	96,330
Money market borrowing	**6,617**	3,499
Medium term borrowing	**9,222**	11,002
Savings and others	**8,046**	2,449
	98,274	113,280

18 NET FEES AND COMMISSION INCOME

	2025	2024
	AED'000	*AED'000*
Fees on letters of credit and acceptances	**11,877**	10,960
Fees on guarantees	**22,247**	19,509
Fees on loans and advances	**54,892**	43,029
Other fee income	**24,261**	24,243
Commission expense	**(10,895)**	(6,981)
	102,382	90,760

19a FOREIGN EXCHANGE INCOME

Foreign exchange income comprises mainly of net gains of AED 47,320 thousand (31 December 2024: AED 34,375 thousand) arising from trading in foreign currencies.

19b OTHER OPERATING INCOME

	2025	2024
	AED'000	*AED'000*
Net gain on sale of investments	**47,594**	331
Net (loss)/gain on derivatives	**(5,904)**	10,432
Gain on asset acquired in settlement of debts	**15,320**	-
Others	**11,184**	3,350
	68,194	14,113

20 OTHER OPERATING EXPENSES

	2025	2024
	AED'000	*AED'000*
Occupancy and maintenance costs	**71,431**	43,491
Legal and professional fees	**24,868**	25,405
Other administrative expenses	**19,728**	17,837
Write-off of property and equipment (Note 9)	**-**	4,417
	116,027	91,150

21 NET IMPAIRMENT LOSSES

Provision for credit losses recognised in the statement of income is as follows

	2025	2024
	AED'000	*AED'000*
Net impairment of financial assets on:		
Loans and advances, Islamic financing receivables and other financial assets	**(91,431)**	12,122
Contingent liabilities (Note 26)	**80,879**	(4,868)
Investments and Islamic instruments	**4,900**	-
Due from banks	**(110)**	(21)
Impairment of non-financial assets (Note 10)	**(9,950)**	(9,260)
Recovery on bad debts written off	**66,448**	44,853
Net impairment reversal	**50,736**	42,826

22 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. The calculations are as follows:

	2025	*2024*
	AED'000	*AED'000*
Net profit for the year	**437,857**	300,960
Number of shares of AED 1 each outstanding for the year	**2,062,550,649**	2,060,238,811
Effect of rights issue of 1,031,275,325 weighted shares	**404,033,894**	-
Weighted number of shares of AED 1 each outstanding for the period	**2,466,584,543**	2,060,238,811
Basic earnings per share	**AED 0.18**	AED 0.15

The diluted earnings per share are the same as basic earnings per share as the Bank has not issued any instruments which would have a dilutive impact on earnings per share if or when exercised.

The total number of shares outstanding excludes Nil treasury shares (31 December 2024: 2,311,838) which is deducted for the purpose of computing earnings per share.

23 TAX EXPENSE

The Bank calculates the yearly income tax expense using the tax rate that would be applicable to the expected total earnings. The major components of income tax expense in the statement of profit or loss are:

	2025	*2024*
	AED'000	*AED'000*
Tax expense for the year:		
Statement of profit or loss:		
Current tax charge	**44,000**	29,811
Statement of other comprehensive income:		
Deferred tax on items that may be reclassified to income statement	**8,106**	2,071

Reconciliation of Bank's tax on profit based on accounting and profit as per tax law is as follows:

	2025	*2024*
	AED'000	*AED'000*
Net profit before tax	**481,857**	330,771
Effect of CIT @ 9%	**43,367**	29,769
Tax effects of:		
Expense not deductible for tax purpose	**667**	76
Effect of standard exemption	**(34)**	(34)
Income Tax Expense	**44,000**	29,811

For determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purpose include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to 9.13% (31 December 2024: 9.01%)

The Bank is domiciled in the UAE and does not qualify as a Multinational Enterprises under UAE Pillar Two rules. Therefore, there are no related Pillar Two implications for the fiscal year ended 31 December 2025

24 RELATED PARTY TRANSACTIONS

The Bank carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Bank, Directors of the Bank, key management personnel of the Bank and companies over which such shareholders and directors exercise control or significant influence either directly or indirectly.

The significant balances outstanding at 31 December are as follows:

	2025	*2024*
	AED'000	*AED'000*
Shareholders:		
Due from banks	**152**	132
Due to banks	**76,563**	6,159
Contingent liabilities and commitments	**7,618**	8,985
Loans and advances	**7,672**	6,193
Customer deposits	**7,691**	5,952
Tier 1 instrument	**550,875**	550,875
Accrued coupon on Tier 1 instrument	**11,100**	11,100
Directors:		
Loans and advances	**1,305**	1,301
Customer deposits	**16,090**	10,568
Contingent liabilities and commitments	**4**	277

	2025	*2024*
	AED'000	*AED'000*
Other related entities of shareholders and directors:		
Loans and advances	**86,458**	64,406
Due from banks	**17**	8
Due to banks	**7**	46
Customer deposits	**217,171**	262,849
Acceptances	**729**	559
Contingent liabilities and commitments	**35,213**	59,647
Key management personnel of the Bank:		
Loans and advances	**18,152**	12,472
Customers deposits	**10,252**	7,323
Shareholders, directors, their related entities and key management personnel:		
Interest receivable	**2,220**	592
Interest payable	**1,458**	1,734

The income, expenses, purchase and sale of investments in respect of related parties during the year included in the statement of income are as follows:

	2025	*2024*
	AED'000	*AED'000*
Shareholders, Directors, their related entities and key management personnel:		
Interest income	**4,938**	6,277
Interest expense	**5,352**	5,939
Fee and commission	**17,928**	3,476
Professional fees and other administrative expenses	**159**	145
Coupon paid on Tier 1 instrument	**44,401**	44,401
Director's remuneration and fees	**20,850**	18,135

24 RELATED PARTY TRANSACTIONS (continued)

	2025	2024
	AED'000	*AED'000*
Key management personnel of the bank:		
Number of key management personnel	**14**	14
Salaries and other short term benefits	**31,637**	27,407
Employees' end of service benefits	**929**	906
Total compensation to key management personnel	**32,566**	28,313

Terms and conditions of transactions with related parties

The above mentioned outstanding balances and transactions arose from the ordinary course of business and have been conducted on an arm's length. The interest charged to, and by, related parties is at normal commercial rates.

The Bank has leased office space in various premises owned by a related party. The property rentals less associated expenses for the year amounted to AED 1,437 thousand (31 December 2024: AED 1,542 thousand). The property rentals are negotiated each year at market rates.

25 DERIVATIVES

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forwards and swaps.

25.1 Derivative product types

(a) Forward Contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The Bank has credit exposure to the counterparties of forward contracts.

(b) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

(c) Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

25 DERIVATIVES (continued)

25.2 Purpose of derivatives

The Bank is a party to derivative instruments in the normal course of meeting the needs of the Bank's customers. In addition, as part of its risk management activity, the Bank uses these derivative instruments for hedging purposes in order to reduce its own exposure to current and expected risks. This is achieved by hedging specific transactions as well as strategic hedging against overall balance sheet exposures.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Over-the-counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

The derivatives are recorded at fair value by using the published price quotations in an active market or counterparty prices or valuation techniques using a valuation model that has been tested against the prices actual market transactions and the Bank's best estimate of the most appropriate model inputs (Note 27).

The tables below show the fair values of derivative financial instruments for risk management and hedging purposes, recorded as Other Assets and Other Liabilities, together with their notional amounts. 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 the year end and are neither indicative of the market risk nor credit risk.

25.2.1 Derivatives held for risk management

				Notional amounts by term to maturity			
31 December 2025	***Positive fair value AED'000***	***Negative fair value AED'000***	***Notional amount AED'000***	***Within 3 months AED'000***	***3-12 months AED'000***	***1-5 years AED'000***	***Over 5 years AED'000***
Forward and spot contracts	**5,987**	**(12,528)**	**5,381,167**	**1,246,334**	**3,402,869**	**731,964**	**-**
Interest rate swaps	**792**	**(792)**	**410,000**	**-**	**10,000**	**400,000**	**-**
Foreign currency options	**1,561**	**(1,561)**	**58,760**	**-**	**58,760**	**-**	**-**
	8,340	**(14,881)**	**5,849,927**	**1,246,334**	**3,471,629**	**1,131,964**	**-**

				Notional amounts by term to maturity			
31 December 2024	*Positive fair value AED'000*	*Negative fair value AED'000*	*Notional amount AED'000*	*Within 3 months AED'000*	*3-12 months AED'000*	*1-5 years AED'000*	*Over 5 years AED'000*
Forward and spot contracts	8,442	(10,793)	2,971,636	2,941,553	30,083	-	-
Interest rate swaps	1,355	(1,356)	630,000	-	-	630,000	-
	9,797	(12,149)	3,601,636	2,941,553	30,083	630,000	-

Fair value hedges of interest rate risk

The Bank uses interest rate swaps to hedge its exposure to changes in fair values of fixed-rate investments in respect of a benchmark interest rate. Interest rate swaps are matched to specific purchases of investments.

The Bank hedges interest rate risk only to the extent of benchmark interest rates. The benchmark rate is a component of interest rate risk that is observable in relevant environments. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

When fair value hedge accounting is applied by the Bank, the Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item using regression analysis. The assessment is based on an evaluation of the quantitative measures of the regression results.

25 DERIVATIVES (continued)

25.2 Purpose of derivatives (continued)

25.2.1 Derivatives held for risk management (continued)

Fair value hedges of interest rate risk (continued)

The fair value of the swaps is disclosed in other assets (liabilities) and the carrying amount of the hedged items included in the line item 'Investments' in the statement of financial position. Fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in other operating income.

At 31 December 2025, the Bank held the following interest rate swaps as hedging instruments in fair value hedges of interest risk, along with amounts relating to hedged items.

				Notional amounts by term to maturity			
31 December 2025	***Positive fair value AED'000***	***Negative fair value AED'000***	***Notional amount AED'000***	***Within 3 months AED'000***	***3-12 months AED'000***	***1-5 years AED'000***	***Over 5 years AED'000***
Hedge of investments	**14,525**	**(9)**	**886,426**	**-**	**238,713**	**647,713**	**-**

				Notional amounts by term to maturity			
31 December 2024	*Positive fair value AED'000*	*Negative fair value AED'000*	*Notional amount AED'000*	*Within 3 months AED'000*	*3-12 months AED'000*	*1-5 years AED'000*	*Over 5 years AED'000*
Hedge of investments	41,471	-	1,150,476	187,121	73,450	889,905	-

The carrying amount of the hedged items are included in the line item 'Investments' on the statement of financial position with the notional amount totalling to AED 833,119 thousand (31 December 2024: AED 1,124,058 thousand). These hedged items comprise of debt instruments which are held as FVOCI.

The Bank has recognised the following (losses)/gain relating to hedge ineffectiveness calculated as follows:

	2025		*2024*	
	Change in value AED'000	***Ineffectiveness recognised in profit and loss AED'000***	*Change in value AED'000*	*Ineffectiveness recognised in profit and loss AED'000*
On hedging instruments	**(26,955)**		(9,836)	
On hedged items	**20,350**	**(6,605)**	19,737	9,901

25.3 Derivative related credit risk

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. Approximately 93% (31 December 2024: Approximately 89%) of the Bank's derivative contracts are entered into with other financial institutions.

26 CONTINGENT LIABILITIES AND COMMITMENTS

Credit related commitments

The Bank's contractual amounts in respect of letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the customer satisfying the terms of the contract. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced, guarantees are called for full amount following performance failure, and that any collateral or other security is of no value. However, the total contractual amount of commitments does not necessarily represent future cash requirements since many of such commitments will expire or terminate without being funded.

The loan commitments represent the contractual commitments to make the loan. These commitments are revocable and generally have fixed expiry dates or other termination clauses. Since commitments are revocable, may expire without being drawn down, and also the conditions precedent to draw down have to be fulfilled, the total contract amounts do not necessarily represent future cash outflow requirements.

The Bank has the following credit related commitments:

	2025	*2024*
	AED'000	*AED'000*
Contingent liabilities		
Letters of credit	**605,433**	378,897
Guarantees	**3,055,110**	2,259,152
	3,660,543	2,638,049
Commitments		
Undrawn loan commitments	**2,777,810**	1,930,278

Movement in the gross balance of contingent liabilities

	Stage 1	***Stage 2***	***Stage 3***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***
Gross carrying amount				
As at 31 December 2024	**2,425,790**	**107,092**	**105,167**	**2,638,049**
Changes due to financial assets recognized in the opening balance that have:				
Transferred from Stage 1	**(160)**	**160**	-	-
Transferred from Stage 2	**14,408**	**(16,613)**	**2,205**	-
Transferred from Stage 3	-	-	-	-
Net of originated/(expired) during the year	**1,139,402**	**(11,742)**	**(105,166)**	**1,022,494**
As at 31 December 2025	**3,579,440**	**78,897**	**2,206**	**3,660,543**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
Gross carrying amount				
As at 31 December 2023	1,858,206	199,480	134,645	2,192,331
Changes due to financial assets recognized in the opening balance that have:				
Transferred from Stage 1	(30,985)	30,852	133	-
Transferred from Stage 2	44,681	(56,721)	12,040	-
Transferred from Stage 3	-	-	-	-
Net of originated/(expired) during the year	553,888	(66,519)	(41,651)	445,718
As at 31 December 2024	2,425,790	107,092	105,167	2,638,049

26 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Credit related commitments (continued)

Movement in the provision for impairment of commitments and contingent liabilities

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
As at 31 December 2024	**3,100**	**16,564**	**80,486**	**100,150**
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	-	-	-	-
Transferred from lifetime ECL not credit impaired	**605**	**(868)**	**263**	-
Transferred from lifetime ECL credit impaired	-	-	-	-
Transferred from ECL on loans and advances	-	-	-	-
Net impairment charge/(release) to income statement (Note 21)	**877**	**(2,085)**	**(79,671)**	**(80,879)**
As at 31 December 2025	**4,582**	**13,611**	**1,078**	**19,271**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
As at 31 December 2023	4,393	16,667	68,606	89,666
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	(823)	823	-	-
Transferred from lifetime ECL not credit impaired	60	(4,908)	4,848	-
Transferred from lifetime ECL credit impaired	-	-	-	-
Transferred from ECL on loans and advances	-	1,745	3,870	5,615
Net impairment charge/(release) to income statement (Note 21)	(530)	2,237	3,161	4,868
As at 31 December 2024	3,100	16,564	80,485	100,149

The bank seeks to comply with all applicable laws and regulations by which it is governed and is not aware of any material fines or penalties that warrant disclosure in the financial statements.

27 RISK MANAGEMENT

Introduction

The Bank recognizes the importance of effective risk management in achieving its strategic goals and maintaining its stability and resilience. Risk is inherent in all of the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to their responsibilities. This ensures an informed decision making in line with the Bank's risk appetite in compliance with all regulatory and legal requirements.

27 RISK MANAGEMENT (continued)

Introduction (continued)

Risk Management covers all financial and non-financial risks including strategic and reputation risk, regulatory risk, capital risk, credit risk, credit concentration risk, market/ investment risk, liquidity and interest rate risk, operational, fraud and business continuity risk, IT and information security risk, conduct risk, people risk, ESG risk, model risk, Shariah non-compliance risk, displaced commercial risk, rate of return risk, equity investment risk., etc. and processes from origination and assessment of risks to ongoing monitoring, control, review, maintenance and reporting of risks. It also covers roles and responsibilities of Board and Management level committees, and authorities and processes relating to Risk management function.

The Bank's Risk Management Strategy includes comprehensive Enterprise-wide Risk and Compliance Risk Frameworks, which are fully aligned with our Bank's Vision to drive consistent value for all stakeholders. The key strategic imperatives that drive Bank's vision include the following:

- **Sound Fundamentals and Strong Risk Bearing Capacity:** Maintaining strong financial and operational fundamentals serves as a foundation for effective risk management and supports risk bearing capacity.
- **Strategic Alignment and Enduring Partnership with Business Lines:** A risk management approach that is strategically aligned with business goals ensures a close partnership between risk management and business units to effectively manage risks.
- **Efficient Deployment of Capital, Liquidity and Provisioning:** Efficient deployment of capital, liquidity, and provisioning supports sustainable growth and minimizes risks.
- **Comprehensive and Integrated Corporate & Risk Governance Framework:** A robust corporate and risk governance framework ensures effective risk management, independent oversight, and accountability.
- **Resilient Risk Infrastructure and Strong Risk Culture:** A strong risk infrastructure and culture promotes transparency, accountability, and a proactive approach to risk management.

The Bank places a strong emphasis on the following key imperatives to ensure sound risk management practices:

Strong and Robust Governance:

The Bank has a robust risk governance structure comprising Board and Management level committees across all business and enablement functions which is further complemented by an effective three lines of defence model ensuring necessary independence and delineation of responsibilities, thus ensuring a comprehensive and integrated approach to managing all material risks in compliance with regulations across the entire organization.

Corporate Governance Framework

Corporate Governance framework is a set of rules, processes, policies and practices by which an organization is managed and controlled by its Board of Directors (BoD) and Senior Management. Implementation and maintenance of good corporate governance aims to robust decision-making and improves Strategy, Performance, Compliance and Accountability supported by ongoing monitoring and assessment. Sound corporate governance plays a fundamental role in the culture and business practices of the Bank. The Bank's corporate governance framework relates to the way the business activities of the Bank are directed and managed considering all stakeholders and role of the bank in the community. The Bank has a well-considered and established corporate governance framework which facilitates effective decision making and builds a strong relationship with stakeholders through a transparent structure that supports high quality and timely disclosures.

27 RISK MANAGEMENT (continued)

Corporate Governance Framework (continued)

27.1 Risk Management Framework (Three Lines of Defence)

The Bank's risk management framework is built on three lines of defence, which work together to ensure that risks are effectively identified, assessed, monitored, and controlled:

- The **First line of defence** is the business units and support functions, which are responsible for identifying, assessing, and managing risks in its day-to-day activities.
- The **Second line of defence** consists of Risk management, Compliance, Credit, Legal, Shariah Control and Finance functions which provide oversight and support to the business units in managing risks.
- The **Third line of defence** is the internal audit function (including Shariah Audit) , which independently assesses the effectiveness of the Bank's risk management framework and provides recommendations for improvement.

As part of the three lines of defence, the Board and Management committees are further supplemented by functions who are responsible for day-to-day monitoring of risks.

27.1.1 First Line of Defence

The first line of defence is responsible for identifying risks as part of their day-to-day business operations. This includes assessing the risks associated with each of the bank's business lines and implementing policies and procedures to manage those risks.

27.1.2 Second Line of Defence

27.1.2.1 Finance Department

Finance Department's key responsibilities as part of Second Line of Defence include monitoring and controlling financial risks, ensuring regulatory compliance, and facilitating effective risk reporting. The finance function supports a strong risk management culture within the organization by proactively identifying, measuring, and managing risks.

27.1.2.2 Credit Department

The Credit Department is responsible for spearheading overall credit strategy of the bank, reviewing and approving credit proposals, ensuring compliance with credit policies and procedures, and providing assistance in ongoing monitoring of credit risk.

27.1.2.3 Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It works closely with the First Line to support their activities, while safeguarding the risk profile of the Bank. The Risk Management Department works with business groups/segments and support units to establish a risk management environment that enables risk monitoring across the Bank, overseeing and enforcing risk management policies and limits, instilling discipline to close significant gaps in risk management capabilities, and ensuring that Bank's risk related cultural issues are being managed effectively.

27.1.2.4 Compliance Department

The Compliance Department is responsible for defining, implementing and maintaining financial crime compliance, conduct risk, regulatory compliance and compliance assurance related policies and procedures to ensure independent oversight, monitoring and control processes are embedded throughout the organization. It works closely with all three lines of defence to support their activities; while challenging back and making sure the Bank operates in a compliant manner. It implements prudent compliance monitoring and control mechanisms (processes and systems) to ensure compliance with the applicable laws and regulations as well as Global best practices.

27 RISK MANAGEMENT (continued)

Corporate Governance Framework (continued)

27.1 Risk Management Framework (Three Lines of Defence) (continued)

27.1.3 Third Line of Defence - Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of, and the Bank's compliance with, its procedures. Internal Audit independently reports its findings and recommendations to the Board Audit Committee and shares the same with Management for appropriate and timely actions.

27.2 Roles of Board and the Executive Management

The Board of Directors is responsible for the stewardship of the Bank and providing effective leadership to supervise the Management of the bank to grow value in a profitable and sustainable manner. The Board is collectively responsible for the short term and long-term success of the Bank and delivery of sustainable value to the shareholders, stakeholders and the community. It sets the strategy and the risk appetite for the Bank and approves capital and operating plans presented by Management for the achievement of strategic objectives set by the Board. The Board of Directors also define the risk tolerance of the Bank, its primary business activities and its overall strategy and plan. The roles of Board and the Executive Management are detailed below:

27.2.1 Board Level Committee

Board Committees streamline governance by delegating dives into specific areas like audit, risk, compensation, or nomination to smaller groups with relevant expertise, allowing for more focused oversight, detailed analysis, quicker decisions, and better strategic direction, ultimately enhancing efficiency and accountability for the full board. Following are the Board Committees and their mandates:

27.2.1.1 Board Credit Committee (BCC)

The Board Credit Committee (BCC) has the responsibility to establish credit strategy and monitor the overall credit process within the Bank for maintaining a diversified portfolio, avoiding undesired risk concentrations, improving the overall asset quality of the portfolio, and complying with Credit Policy and regulatory guidelines.

27.2.1.2 Governance and Remuneration Committee (GRC)

The Governance & Remuneration Committee (GRC) acts on behalf of the Board on all matters related to governance, remuneration, nomination and strategic plans, except for those powers and actions that are restricted to the Board on the basis of legal provisions or the Articles. The GRC is responsible for supporting the Board in overseeing the remuneration scheme, in order to ensure that the subject remuneration is appropriate and consistent with the Bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirement.

27.2.1.3 Board Risk & Compliance Committee (BRCC)

The Board Risk & Compliance Committee (BRCC) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, and policies for enhancing the Bank's risk and compliance management framework to best practices standards. This includes, but is not limited to, ensuring effective control structures and the monitoring of aggregate risk exposures (including but not limited to credit, market, liquidity, operational, and legal). Additionally, the BRCC is accountable for fostering a culture of compliance, including financial crime compliance matters and overseeing adherence to relevant regulatory requirements, ethical standards, and internal policies.

27 RISK MANAGEMENT (continued)

Corporate Governance Framework (continued)

27.2 Roles of Board and the Executive Management (continued)

27.2.1 Board Level Committee (continued)

27.2.1.4 Board Audit Committee (BAC)

The Board Audit Committee (BAC) is responsible for monitoring, reviewing and reporting to the Board on the formal arrangements relating to the financial and narrative reporting of the Bank, internal controls, compliance and internal / external audit processes.

27.2.2 Internal Shari'ah Supervision Committee (ISSC)

The ISSC is the central independent committee which is responsible for the overall monitoring of and compliance by the Bank's Islamic banking activities with Sharia and resolutions, fatwas, regulations and standards issued by HSA. The ISSC, accordingly, is responsible for supervising and approving all businesses, activities, products, services, contracts, documents and codes of conduct of the Bank pertaining to Islamic activities. ISSC must monitor, through Sharia Control Department and Internal Sharia Audit Department, the Bank's compliance with Sharia.

27.2.3 Management Level Committees

Management committees provide overall direction by making key decisions, overseeing strategy, ensuring compliance, and acting as a link between executive leadership and operations, focusing on governance, performance monitoring, and achieving mission goals through collective responsibility and adherence to ethical standards. They develop plans, manage resources, approve major changes, and ensure accountability to members, stakeholders, and regulators, with members holding joint responsibility for outcomes. These committees include:

27.2.3.1 Management Committee (MANCOM)

Management Committee ("ManCom") assists the Board, Board committees and CEO in fulfilling its responsibilities towards setting and execution of overall strategy of the Bank and ensuring that the Bank's values are embedded in its day-to-day activities to ensure sustained growth, profitability and commensurate returns for its stakeholders.

27.2.3.2 Asset Liability Committee (ALCO)

Asset Liability Committee ("ALCO") assists the Board in fulfilling its responsibility towards ensuring a strong and stable balance sheet and to oversee Bank's Asset and Liability Management (ALM) strategies. The objective of ALCO will also be to maintain vigilant oversight of liquidity risk and interest rate risk with the primary goal of achieving optimal return while ensuring adequate levels of liquidity within an effective risk control framework.

27.2.3.3 Credit Portfolio Committee (CPC)

The Credit Portfolio Committee (CPC) is responsible for developing and establishing credit strategy, credit policies, setting risk acceptance criteria for underwriting and monitoring the portfolio to ensure it remains within acceptable risk levels and address any emerging credit issues or trends. The CPC works in conjunction with and assists the Board and BCC to manage credit strategy, policies, and procedures.

27 RISK MANAGEMENT (continued)

Corporate Governance Framework (continued)

27.2 Roles of Board and the Executive Management (continued)

27.2.3 Management Level Committees (continued)

27.2.3.4 Credit Committee (CC)

The Credit Committee ("CC") is responsible for making credit-related decisions. The CC is charged with:

(a) Reviewing and approving loan proposals, taking into account factors such as the borrower's creditworthiness, repayment capacity, and collateral.
(b) Ensuring compliance with credit policies and procedures as part of ongoing underwriting process.

27.2.3.5 Risk Committee (RC)

The Risk Committee ("RC") assists the Board and Board Risk and Compliance Committee ("BRCC") towards ensuring a sound risk profile of the Bank and instilling a culture of risk optimized decision making through implementation of comprehensive and integrated risk framework, embedding a strong internal control mechanism and ensuring compliance with all applicable regulatory requirements (including Higher Shari'ah Authority regulations).

27.2.3.6 Compliance Committee

The Compliance Committee assists the Board and the BRCC towards ensuring a strong compliance culture and adherence to all applicable compliance requirements.

27.2.3.7 Business Technology Steering Committee (BTSC)

The Business Technology Steering Committee ("BTSC") assists the Board in fulfilling its responsibilities pertaining to outlining and execution of overall IT strategy and managing IT related and projects, related budgets, expenditures and service operation status.

27.2.3.8 Human Capital Committee (HCC)

The Human Capital Committee ("HCC") assists the Governance and Remuneration Committee (GRC) in fulfilling its responsibilities relating to the outline and monitor matters related to the Bank's people strategy which includes Emiratisation strategy, performance and rewards, talent acquisition, management and succession planning, learning & development, HCM policies & procedures, people risk, corporate governance and statutory matters etc.

27.2.3.9 Charity Committee

The Charity Committee assists the Board and Internal Shari'ah Supervisory Control (ISSC) in fulfilling its responsibilities in managing activities pertaining to Charity.

27.2.4 Management Sub-Committees

The bank has following management subcommittees to assist management committees and senior management in discharging their duties and responsibilities.

27 RISK MANAGEMENT (continued)

Corporate Governance Framework (continued)

27.2 Roles of Board and the Executive Management (continued)

27.2.4 Management Sub-Committees (continued)

27.2.4.1 Client Experience Forum (CEF)

The Customer Experience Forum ("CEF") supports the ManCom towards ensuring achievement of Bank's desired customer experience levels and fulfilment of related regulatory norms. The CEF is responsible for:

(a) Overseeing the bank's customer service policies and procedures, including the measurement and monitoring of customer satisfaction levels.
(b) Monitoring customer feedback and using this information to make recommendations for improvements to the bank's products and services.
(c) Ensuring that the bank's customer service standards are met and addressing any customer complaints in a timely and effective manner.

27.2.4.2 Investment Committee (IMCO)

The Investment Committee ("IMCO") supports the Asset Liability Committee ("ALCO") and is responsible for overseeing Bank's investment strategy and execution. The IMCO is charged with:

(a) Reviewing and approving investment proposals, ensuring that they align with the bank's overall investment strategy and risk tolerance.
(b) Monitoring the performance of the bank's investments, including returns, market conditions, and economic indicators.
(c) Ensuring that the bank's investment policies and procedures are in compliance with all applicable regulations and are regularly updated to reflect changes in the market or regulatory environment.
(d) Overseeing the management of investment risks, including interest rate, credit, and market risks, and ensuring that the bank's investment portfolio is well-diversified.

27.2.4.3 ERM Committee (ERMC)

The ERM Committee ("ERMC") supports the Risk Committee ("RC") by implementing and overseeing the bank's enterprise risk management framework. The ERMC is charged with:

(a) Overseeing the bank's risk management framework, including the identification, assessment, and management of risks across the bank.
(b) Reviewing and approving risk limits for various types of risks, including credit, capital, market & liquidity, strategic & reputational risk etc.
(c) Monitoring the bank's risk exposure and ensuring that it remains within acceptable levels, taking into account economic conditions, market trends, and internal controls.
(d) Ensuring that the bank's risk management policies and procedures are in compliance with all applicable regulations and are regularly updated to reflect changes in the market or regulatory environment.

27.2.4.4 Provisioning Committee (PC)

The Provisioning Committee supports the Risk Committee ("RC") and Credit Portfolio Committee ("CPC") by reviewing and approving the provisions based on SICR criteria, transition of ratings, necessary overlays and over-rides, macro-economic variables as per IFRS 9 etc. in compliance with regulatory guidelines and credit / IFRS 9 policy. The Provisioning Committee also recommends the accounts proposed for write off as applicable, in compliance with regulatory guidelines and credit policy.

27 RISK MANAGEMENT (continued)

Corporate Governance Framework (continued)

27.2 Roles of Board and the Executive Management (continued)

27.2.4 Management Sub-Committees (continued)

27.2.4.5 Operational Risk Management Committee (ORMC)

The Operational Risk Management Committee (“ORMC”) supports the Risk Committee ("RC") and assists in fulfilling its objectives of overseeing Bank’s Operational and Fraud Risk Management strategy, initiatives, profile and ensuring sound Business Continuity. The ORMC is responsible for:

(a) Monitor and manage Operational and Fraud Risks as per the defined risk appetite framework.
(b) Identify, assess, and report about operational risks and exposures facing the organization.
(c) Overseeing the implementation of Operational, Fraud Risk Management and Business continuity management policies and procedures.
(d) Ensuring that Bank's Business Continuity strategy and plans are created and implemented effectively.
(e) Monitor the effectiveness of the business continuity and disaster recovery framework and report the findings.
(f) Supports RC in the effective implementation of New Product Approval Policy.
(g) Identify and manage Operational and Fraud risks in all new products, processes and activities.
(h) Overseeing and supporting RC on complying to the Outsourcing Risk Policy and relevant regulatory obligations.
(i) Review and govern operational risk assessments, document management and risk acceptances.

27.2.4.6 IT Risk and Information Security Committee

The IT Risk and Information Security Committee supports the Risk Committee ("RC") and assists the RC towards ensuring that Bank's information technology systems and data are secure. This includes:

(a) Overseeing the bank's information security policies and procedures to ensure they are effective.
(b) Monitoring cyber threats and ensuring the bank's systems are protected against them.
(c) Ensuring that the bank's information technology systems are secure and operate effectively.

27.2.4.7 Model Risk Management Committee (MRMC)

The Model Risk Management Committee supports the Risk Committee ("RC") and assists the RC in overseeing Bank's model risk management framework. This includes:

(a) Responsible for defining and implementing the Model Risk Management framework for the bank.
(b) Review and approve the methodology, processes and governance framework for the development, implementation, use and maintenance of models.
(c) Ensure models are developed, validated and used in compliance with the regulatory and internal standards.
(d) Monitor and report on the effectiveness of model risk management and provide recommendations for improvement.

27.2.4.8 Disciplinary Committee (DC)

The Disciplinary Committee ("DC") supports the Human Capital Committee ("HCC") towards dealing with employee misconduct and violations of Bank's policies and procedures. The DC reviews the investigation findings, evaluates employee misconduct and approves commensurate disciplinary action as per HR policy. The DC ensures that the disciplinary process is fair, transparent, and consistent and provides guidance and support to the HCM department on disciplinary matters. The DC ensures that the Bank's disciplinary policies and procedures are followed and that employees are held accountable for their actions.

27 RISK MANAGEMENT (continued)

Corporate Governance Framework (continued)

27.2 Roles of Board and the Executive Management (continued)

27.2.4 Management Sub-Committees (continued)

27.2.4.9 Sustainability Committee (SC)

The Sustainability Committee (SC) is formed to assist the Management Committee and the Board of Directors by overseeing and advising on sustainability related strategies, practices, and policies. The Committee is committed to advancing the Bank's sustainability objectives, ensuring that the bank operates in an environmentally responsible and socially conscious manner while considering the governance aspects that align with the Bank's strategy and risk management framework.

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy, market environment and the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

Information compiled from all the businesses is examined and processed in order to identify, analyse and control at an early stage. The Board receives a comprehensive risk report every quarter which provides all the critical risk information that arises from various risk streams and business units across the Bank. It is designed to provide all the necessary information to assess and conclude on the credit related risks of the Bank. The report includes aggregate credit exposure, liquidity ratios and risk profile changes.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure all business divisions have access to extensive, necessary and up-to-date information.

Regular briefings and updates are provided to the Chief Executive Officer, Risk Committee and all other relevant members of senior management on all aspects of risk taken by the Bank including the utilisation of limits, proprietary investments and liquidity, and any other risk developments.

Risk Mitigation

The Bank has implemented a comprehensive risk mitigation framework that aims to minimize the impact of potential risks on its operations, financial performance, and reputation. This includes identifying and evaluating risk, implementing risk mitigation strategies, and regularly monitoring the effectiveness of these strategies.

The Bank actively uses collateral to reduce its credit risks. Also, as part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies.

Robust Business Continuity Framework:

Bank's well defined Business Continuity Framework and Policy, along with a comprehensive crisis management and emergency plans along-with incident response protocols provide a strong foundation for bank's resilience against major disruptions or unexpected events. The business continuity framework covers identification of critical business processes, people, required infrastructure which is supported by business impact analysis (BIA) and risk assessment (RA) to develop business continuity plans. The bank has provided infrastructure to its staff enabling work from home in case of any unforeseen circumstances. Training, awareness and continued enhancements are part of overall business continuity management program in the bank. Business continuity framework is integrated with disaster recovery plans and testing to manage strong resilience to deliver key services during crisis.

27 RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations, resulting in a financial loss for the Bank. As a fundamental pillar of the Bank's operations, credit risk is closely managed to ensure the financial soundness and long-term stability. The Bank's credit risk exposures primarily originate from lending activities, trade finance, treasury operations and other activities.

Credit risk identification and assessment are executed through a comprehensive mechanism underpinned by robust board-approved policies. These procedures define clear lending authorities, risk appetite limits, and stringent approval processes. As part of the credit risk monitoring and control framework, continuous risk monitoring at both the customer and portfolio levels is performed. This includes evaluating various parameters such as credit quality, provisioning levels, exposure limits, financial and operational performance, account conduct, the end-use of funds, adequacy of credit risk mitigants, adherence to covenants, recovery performance, and the effectiveness of the credit rating system.

In addition to individual credit assessments, the Bank actively monitors concentrations of credit risk by industry sector and geographic region, ensuring that exposures are diversified. Limits are also placed on large individual exposures to avoid over-concentration with any single counterparty or group of related parties. Furthermore, the Bank has established country limits to manage risks arising from exposure to specific countries, accounting for factors such as economic conditions and political stability.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including contingent liabilities and commitments. The maximum exposure is shown as gross, before the effect of mitigation through the use of credit enhancements, master netting and collateral agreements.

	Notes	***2025 AED'000***	*2024 AED'000*
Cash and balances with UAE Central Bank (excluding cash on hand)	5	**2,440,086**	2,176,540
Due from banks	6	**1,141,380**	585,368
Investments and Islamic instruments	8	**7,874,767**	6,006,298
Loans and advances and Islamic financing receivables	7	**14,983,311**	12,074,128
Customer acceptances		**287,850**	422,990
Other assets*		**330,897**	403,534
*excluding prepayments and assets acquired in settlement of debt and lease assets			
Total		**27,058,291**	21,668,858
Letters of credit	26	**605,433**	378,897
Guarantees	26	**3,055,110**	2,259,152
Undrawn loan commitments	26	**2,777,810**	1,930,278
Total		**6,438,353**	4,568,327
Total credit risk exposure		**33,496,644**	26,237,185

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client / counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2025 was AED 898,745 thousand (31 December 2024: AED 1,052,369 thousand).

27 RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk concentrations of the maximum exposure to credit risk (continued)

The Bank's maximum exposure to credit risk, before provisions and taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	2025		*2024*	
	Assets AED'000	***Contingent liabilities and commitments AED'000***	*Assets AED'000*	*Contingent liabilities and commitments AED'000*
United Arab Emirates	**17,485,497**	**6,397,069**	15,031,702	4,515,148
Other Middle East countries	**3,002,019**	**7,358**	2,811,152	7,890
Europe	**2,637,171**	**13,662**	1,527,117	41,364
USA	**743,082**	**-**	224,658	-
Rest of the World	**3,190,522**	**20,264**	2,074,229	3,925
Total	**27,058,291**	**6,438,353**	21,668,858	4,568,327

An industry sector analysis of the Bank's maximum exposure to credit risk (excluding cash on hand) after provisions but before taking into account collateral held or other credit enhancements, is as follows:

	2025 AED'000	*2024 AED'000*
Real Estate	**2,875,599**	1,958,608
Personal-Retail Mortgage	**2,432,116**	1,603,185
Government and public sector	**6,212,281**	4,397,853
Trade	**1,019,549**	1,284,907
Personal loans (retail and business)	**979,700**	849,273
Manufacturing	**957,011**	803,319
Construction	**134,665**	192,124
Services	**2,435,947**	1,797,360
Financial services	**9,453,182**	7,812,515
Others	**558,241**	969,714
	27,058,291	21,668,858
Less: Provisions	**(444,997)**	(550,235)
	26,613,294	21,118,623

Past due but not impaired

Past due loans and advances include those that are past due on their repayment schedule. Aging analysis for outstanding of loans and advances which past due but not impaired are as follows:

	Less than 30 days AED'000	***31 to 60 days AED'000***	***61 to 90 days AED'000***	***More than 91 days AED'000***	***Total AED'000***
31 December 2025					
Loans and advances	**175,818**	**165**	**315**	**2,598**	**178,896**
31 December 2024					
Loans and advances	32,780	269	628	224	33,901

Approximately 98% (2024: 97%) of the above loans are advanced to the corporate sector.

27 RISK MANAGEMENT (continued)

Credit Risk (continued)

Loans and advances and Islamic financing receivables with renegotiated terms

Loans and advances and Islamic financing receivables with renegotiated terms are those which have been rescheduled or restructured and where the Bank has made concessions that it would otherwise not consider.

The gross amount as per class of on-balance sheet financial assets whose terms have been renegotiated are as follows:

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Outstanding balance	**16,595**	**104,797**	**56,427**	**177,819**
Less: Provision for impairment	**(401)**	**(69,762)**	**(49,800)**	**(119,963)**
As at 31 December 2025	**16,194**	**35,035**	**6,627**	**57,856**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Outstanding balance	36,224	107,749	188,700	332,673
Less: Provision for impairment	(8,627)	(65,037)	(143,559)	(217,223)
As at 31 December 2024	27,597	42,712	45,141	115,450

Collateral and other credit enhancements

The Bank employs collateral and other credit enhancements to mitigate risks associated with its credit exposures. The primary forms of collateral obtained include cash margins, marketable securities, legal charges over real estate, vehicles, plant and machinery, inventory, and trade receivables. Where appropriate, the Bank also secures corporate guarantees from parent entities to support facilities extended to subsidiaries.

The type and quantum of collateral required are determined based on a detailed assessment of the counterparty's credit risk profile. The Bank maintains strict internal guidelines regarding the eligibility of collateral types and conservative valuation parameters. While collateral is generally not required for non-trading investments or balances due from high-quality banks and financial institutions, all other exposures are subject to rigorous security requirements.

Management dynamically monitors the market value of collateral. In accordance with underlying agreements, the Bank may request additional security (margin calls) should collateral values fluctuate. Furthermore, collateral valuations are a key input during the periodic review of credit facilities and in determining the adequacy of impairment provisions.

The value of the below disclosed collateral (before haircut) is capped to the gross outstanding amount of the loan.

The percentage of collateralized exposure and the principal types of collateral held against loans and advances are as follows:

	Percentage of collateralized exposure		***Principal type of collateral held***
	2025	*2024*	
Retail Mortgage Loans	**100%**	97%	Residential property
Corporate customers	**33%**	34%	Cash, securities, vehicles, property and equipment, commercial property, inventory and trade receivables

27 RISK MANAGEMENT (continued)

Credit Risk (continued)

Retail mortgage loans

Credit exposure on retail mortgage loans by range of loans to value (LTV) ratio are as follows:

	2025 AED'000	2024 AED'000
LTV ratio		
Less than 50%	**901,702**	648,700
51- 75%	**1,354,848**	656,300
76- 90%	**175,566**	290,991
91- 100%	-	7,194
Total	**2,432,116**	1,603,185

For residential mortgage lending, the Loan-to-Value (LTV) ratio is a primary risk metric, calculated as the ratio of the gross loan amount to the appraised value of the collateral. These valuations exclude adjustments for the cost of obtaining or liquidating the asset. The value of residential collateral is established at origination and is systematically updated using verified house price indices and independent periodic revaluations to ensure the LTV remains reflective of current market conditions.

Impaired loans

For impaired loans the value of collateral is based on the most recent appraisals. Credit exposure on impaired retail mortgage loans by range of LTV ratio are as follows:

	2025 AED'000	2024 AED'000
LTV ratio		
Less than 50%	**6,386**	5,075
51- 75%	**10,472**	10,707
More than 75%	**696**	12,459
Total	**17,554**	28,241

Collateral and other credit enhancements

Retail customers

At 31 December 2025, the carrying amount of impaired loans and advances to retail customers (including mortgages) amounted to AED 31,656 thousand (31 December 2024: AED 37,173 thousand) and the fair value of identifiable collateral held against those loans and advances amounted to AED 17,554 thousand (31 December 2024: AED 21,047 thousand).

Corporate customers

At 31 December 2025, the net carrying amount of impaired loans and advances to corporate customers amounted to AED 387,301 thousand (31 December 2024: AED 428,061 thousand) and the fair value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to AED 384,219 thousand (31 December 2024: AED 384,568 thousand).

The value of disclosed collateral (before haircut) is capped to the gross outstanding amount of the loan.

27 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, management have arranged diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the Central Bank of UAE equal to 14% of current deposits and 1% of time deposits (2024: 14% of current deposits and 1% of time deposits). In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The most important of these is to maintain the regulatory limits for Lending to Stable Resources and Eligible Liquid Assets to total liabilities ratios. The Bank stresses the importance of current accounts, time deposits and savings accounts as a source of funds to finance its lending to customers. They are monitored using the lending to stable resources ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with medium term borrowing. Eligible liquid assets consist of cash, balances with the Central Bank of UAE, short term bank deposits and eligible debt securities. The ratios as at the year-end were as follows:

	2025	*2024*
	AED'000	*AED'000*
Lending to Stable Resources Ratio	**69.8%**	75.5%
Eligible Liquid Assets Ratio	**17.4%**	17.0%

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

Maturities of assets and liabilities based on the remaining period at the statement of financial position date to the contractual maturity date not taking account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds, as at 31 December 2025 is as follows:

	Less than 3 months AED'000	*From 3 months to 6 months AED'000*	*From 6 months to 12 months AED'000*	*Sub total less than 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Subtotal over 12 months AED'000*	*Undated AED'000*	*Total AED'000*
Assets									
Cash and balances with the UAE Central Bank	2,289,611	-	200,000	2,489,611	-	-	-	-	2,489,611
Due from banks, net	1,141,048	-	-	1,141,048	-	-	-	-	1,141,048
Investments and Islamic instruments, net	192,911	1,001,223	36,553	1,230,687	3,119,371	3,509,060	6,628,431	1,301	7,860,419
Loans and advances and Islamic financing receivables (Gross)	2,707,792	1,049,811	604,680	4,362,283	6,225,951	4,395,077	10,621,028	-	14,983,311
Customer acceptances	201,736	72,383	9,646	283,765	4,085	-	4,085	-	287,850
Other assets, net	310,647	12,992	12,854	336,493	72,003	-	72,003	3,562	412,058
Property, equipment and capital work-in-progress	-	-	-	-	-	-	-	254,695	254,695
Provision for impairment of loans and advances and Islamic financing receivables	(429,016)	-	-	(429,016)	-	-	-	-	(429,016)
Total assets	6,414,729	2,136,409	863,733	9,414,871	9,421,410	7,904,137	17,325,547	259,558	26,999,976
Liabilities and equity									
Due to banks	2,702,892	426,235	212,310	3,341,437	-	-	-	-	3,341,437
Customer deposits	11,675,575	3,228,139	2,805,095	17,708,809	99,772	-	99,772	-	17,808,581
Medium term borrowing	-	-	-	-	1,000,000	-	1,000,000	-	1,000,000
Customer acceptances	201,736	72,383	9,646	283,765	4,085	-	4,085	-	287,850
Other liabilities	379,532	24,567	51,593	455,692	1,305	-	1,305	73,456	530,453
Equity	-	-	-	-	550,875	-	550,875	3,480,780	4,031,655
Total liabilities and equity	14,959,735	3,751,324	3,078,644	21,789,703	1,656,037	-	1,656,037	3,554,236	26,999,976
Net liquidity gap	(8,545,006)	(1,614,915)	(2,214,911)	(12,374,832)	7,765,373	7,904,137	15,669,510	(3,294,678)	-

The maturity profile of assets and liabilities at 31 December 2024 was as follows:

	Less than 3 months AED'000	*From 3 months to 6 months* AED'000	*From 6 months to 12 months* AED'000	*Sub total less than 12 months* AED'000	*1 to 5 years* AED'000	*Over 5 years* AED'000	*Subtotal over 12 months* AED'000	*Undated* AED'000	*Total* AED'000
Assets									
Cash and balances with the UAE Central Bank	2,225,224	-	-	2,225,224	-	-	-	-	2,225,224
Due from banks, net	585,146	-	-	585,146	-	-	-	-	585,146
Investments and Islamic instruments, net	536,972	46,903	110,415	694,290	3,138,564	2,171,202	5,309,766	925	6,004,981
Loans and advances and Islamic financing receivables (Gross)	2,722,341	765,357	992,380	4,480,078	3,393,777	4,200,273	7,594,050	-	12,074,128
Customer acceptances	234,353	163,644	24,993	422,990	-	-	-	-	422,990
Other assets, net	366,021	3,944	10,944	380,909	101,118	-	101,118	10,548	492,575
Property, equipment and capital work-in-progress	-	-	-	-	-	-	-	204,207	204,207
Provision for impairment of loans and advances and Islamic financing receivables	(547,771)	-	-	(547,771)	-	-	-	-	(547,771)
Total assets	6,122,286	979,848	1,138,732	8,240,866	6,633,459	6,371,475	13,004,934	215,680	21,461,480
Liabilities and equity									
Due to banks	2,615,380	680,974	300,000	3,596,354	-	-	-	-	3,596,354
Customer deposits	9,091,887	2,237,354	2,124,182	13,453,423	123,612	-	123,612	-	13,577,035
Medium term borrowing	-	-	734,600	734,600	-	-	-	-	734,600
Customer acceptances	234,353	163,644	24,993	422,990	-	-	-	-	422,990
Other liabilities	407,599	40,534	47,543	495,676	1,357	-	1,357	81,983	579,016
Equity	-	-	-	-	550,875	-	550,875	2,000,610	2,551,485
Total liabilities and equity	12,349,219	3,122,506	3,231,318	18,703,043	675,844	-	675,844	2,082,593	21,461,480
Net liquidity gap	(6,226,933)	(2,142,658)	(2,092,586)	(10,462,177)	5,957,615	6,371,475	12,329,090	(1,866,913)	-

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2025 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial Liabilities	***Carrying amount AED'000***	***On Demand AED'000***	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2025							
Due to banks	**3,341,437**	**16,256**	**2,720,337**	**657,541**	**-**	**-**	**3,394,134**
Customer deposits	**17,808,581**	**6,312,769**	**5,445,917**	**6,241,156**	**107,793**	**-**	**18,107,635**
Medium term borrowings	**1,000,000**	**-**	**10,729**	**32,187**	**1,000,000**	**-**	**1,042,916**
Customer acceptances	**287,850**	**-**	**201,736**	**82,029**	**4,085.00**	**-**	**287,850**
Other liabilities	**515,562**	**241,199**	**220,160**	**54,203**	**-**	**-**	**515,562**
Financial derivatives	**48,472**	**-**	**6,258**	**15,146**	**27,068**	**-**	**48,472**
Total undiscounted financial liabilities	**23,001,902**	**6,570,224**	**8,605,137**	**7,082,262**	**1,138,946**	**-**	**23,396,569**

Financial Liabilities	*Carrying amount AED'000*	*On demand AED'000*	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
31 December 2024							
Due to banks	3,596,354	42,128	2,493,458	440,269	673,533	-	3,649,388
Customer deposits	13,577,035	4,402,997	4,772,838	4,532,257	135,298	-	13,843,390
Medium term borrowings	734,600	-	11,557	769,271	-	-	780,828
Customer acceptances	422,990	-	234,353	188,637	-	-	422,990
Other liabilities	559,687	323,104	204,701	31,882	-	-	559,687
Financial derivatives	76,284	-	7,976	19,604	48,704	-	76,284
Total undiscounted financial liabilities	18,966,950	4,768,229	7,724,883	5,981,920	857,535	-	19,332,567

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, these amounts may be settled gross or net. The following table shows the corresponding carrying amounts.

	On Demand AED'000	**Less than 3 months AED'000**	**3 to 12 months AED'000**	**1 to 5 years AED'000**	**Over 5 years AED'000**	**Total AED'000**
31 December 2025						
Inflows	-	**8,092**	**18,430**	**30,655**	-	**57,177**
Outflows	-	**(6,258)**	**(15,146)**	**(27,068)**	-	**(48,472)**
Net	-	**1,834**	**3,284**	**3,587**	-	**8,705**
Discounted at applicable interbank rate	-	**(1,767)**	**(3,168)**	**(3,467)**	-	**(8,402)**

	On Demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
31 December 2024						
Inflows	-	12,338	29,128	68,085	-	109,551
Outflows	-	(7,976)	(19,604)	(48,704)	-	(76,284)
Net	-	4,362	9,524	19,381	-	33,267
Discounted at applicable interbank rate	-	(4,174)	(9,123)	(18,594)	-	(31,891)

The table below shows the contractual maturity profile of the Bank's contingent liabilities and commitments:

	On demand AED'000	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2025						
Contingent liabilities	-	**3,227,398**	**251,639**	**181,506**	-	**3,660,543**
Commitments	**2,777,810**	-	-	-	-	**2,777,810**
Total	**2,777,810**	**3,227,398**	**251,639**	**181,506**	-	**6,438,353**

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

	On demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
31 December 2024						
Contingent liabilities	-	2,164,653	299,968	173,428	-	2,638,049
Commitments	1,930,278	-	-	-	-	1,930,278
Total	1,930,278	2,164,653	299,968	173,428	-	4,568,327

The Bank expects that not all of the contingent liabilities or commitments will be drawn and therefore the actual cash flows are expected to be significantly lower than those reflected in the above table.

Market risk

Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices. The Board has set limits on the value of risk that may be accepted. This is monitored on a regular basis by the Bank's Asset and Liability Committee (ALCO) and Risk Committee (RC).

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or reprice in a given period. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities.

The following table summarises interest rate sensitivity position at the year end. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

27 RISK MANAGEMENT (continued)

Interest rate risk (continued)

	Less than 3 months AED'000	*3 to 12 Months AED'000*	*1 to 5 Years AED'000*	*Over 5 years AED'000*	*Non Interest Sensitive AED'000*	*Carrying amount AED'000*
31 December 2025						
Assets						
Cash and balances with the UAE Central Bank	**1,300,000**	**200,000**	**-**	**-**	**989,611**	**2,489,611**
Due from banks, net	**325,000**	**-**	**-**	**-**	**816,048**	**1,141,048**
Investments and Islamic instruments, net	**192,911**	**1,037,776**	**3,119,371**	**3,509,060**	**1,301**	**7,860,419**
Loans and advances and Islamic financing receivables, net	**9,348,224**	**1,487,093**	**3,511,209**	**207,769**	**-**	**14,554,295**
Customer Acceptances	**-**	**-**	**-**	**-**	**287,850**	**287,850**
Other assets, net	**-**	**-**	**-**	**-**	**412,058**	**412,058**
Property, equipment and capital work-in-progress	**-**	**-**	**-**	**-**	**254,695**	**254,695**
Total assets	**11,166,135**	**2,724,869**	**6,630,580**	**3,716,829**	**2,761,563**	**26,999,976**
Liabilities and equity						
Due to banks	**2,686,638**	**638,543**	**-**	**-**	**16,256**	**3,341,437**
Customer deposits	**5,607,066**	**6,006,376**	**86,130**	**-**	**6,109,009**	**17,808,581**
Medium term borrowings	**1,000,000**	**-**	**-**	**-**	**-**	**1,000,000**
Customer Acceptances	**-**	**-**	**-**	**-**	**287,850**	**287,850**
Other liabilities	**-**	**-**	**-**	**-**	**530,453**	**530,453**
Equity	**-**	**-**	**550,875**	**-**	**3,480,780**	**4,031,655**
Total liabilities and equity	**9,293,704**	**6,644,919**	**637,005**	**-**	**10,424,348**	**26,999,976**
On-balance sheet	**1,872,431**	**(3,920,050)**	**5,993,575**	**3,716,829**	**(7,662,785)**	**-**
Off-balance sheet	**1,296,426**	**-**	**-**	**-**	**5,370,619**	**6,667,045**
Cumulative interest rate sensitivity gap	**3,168,857**	**(751,193)**	**5,242,382**	**8,959,211**	**6,667,045**	**-**

27 RISK MANAGEMENT (continued)

Interest rate risk (continued)

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Non Interest Sensitive AED'000*	*Carrying amount AED'000*
31 December 2024						
Assets						
Cash and balances with the UAE Central Bank	1,950,000	-	-	-	275,224	2,225,224
Due from banks, net	300,000	-	-	-	285,146	585,146
Investments and Islamic instruments, net	536,972	157,316	3,102,029	2,207,739	925	6,004,981
Loans and advances and Islamic financing receivables, net	7,308,884	1,395,542	2,390,450	431,481	-	11,526,357
Customer Acceptances	-	-	-	-	422,990	422,990
Other assets, net	-	-	-	-	492,575	492,575
Property, equipment and capital work-in-progress	-	-	-	-	204,207	204,207
Total assets	10,095,856	1,552,858	5,492,479	2,639,220	1,681,067	21,461,480
Liabilities and equity						
Due to banks	2,573,252	980,974	-	-	42,128	3,596,354
Customer deposits	4,762,136	4,324,314	105,805	-	4,384,780	13,577,035
Medium term borrowings	734,600	-	-	-	-	734,600
Customer Acceptances	-	-	-	-	422,990	422,990
Other liabilities	-	-	-	-	579,016	579,016
Equity	-	-	550,875	-	2,000,610	2,551,485
Total liabilities and equity	8,069,988	5,305,288	656,680	-	7,429,524	21,461,480
On-balance sheet	2,025,868	(3,752,430)	4,835,799	2,639,220	(5,748,457)	-
Off-balance sheet	1,780,476	-	-	-	2,645,007	4,425,483
Cumulative interest rate sensitivity gap	3,806,344	53,914	4,889,713	7,528,933	4,425,483	-

27 RISK MANAGEMENT (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2025, including the effect of hedging instruments.

	2025		*2024*	
	Change in basis points AED'000	***Sensitivity of net interest income AED'000***	*Change in basis points AED'000*	*Sensitivity of net interest income AED'000*
Increase in rate	**+50**	**15,894**	+50	9,460
Decrease in rate	**-50**	**(15,894)**	-50	(9,460)

The interest rate sensitivity set out above relates primarily to the US Dollar as the Bank does not have any significant net exposure for non-trading floating rate financial assets and financial liabilities denominated in other currencies.

The Bank is also exposed to fair value risk arising from its unhedged fixed rate bonds portfolio. A change in the fair value of these bonds by +/-5% will result in a positive/negative change in the fair value reserve in equity by AED 657 thousand (31 December 2024: AED 5,850 thousand).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

As the UAE Dirham and most of the GCC currencies are currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2025 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the AED, with all other variables held constant on the statement of income (due to the fair value of currency sensitive monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

	2025		*2024*	
	Change in currency rate in % AED'000	***Effect on profit AED'000***	*Change in currency rate in % AED'000*	*Effect on profit AED'000*
Currency				
EUR	**+10/-10**	**1,061/(1,061)**	+10/-10	158/(158)
GBP	**+10/-10**	**7/(7)**	+10/-10	81/(81)

27 RISK MANAGEMENT (continued)

Currency risk (continued)

Concentration of assets and liabilities by currency

	AED AED'000	*USD AED'000*	*Other AED'000*	*Total AED'000*
Cash and balances with UAE Central Bank	**2,489,611**	**-**	**-**	**2,489,611**
Due from banks, net	**331,069**	**748,073**	**61,906**	**1,141,048**
Investments and Islamic instruments, net	**907,072**	**6,953,347**	**-**	**7,860,419**
Loans and advances and Islamic financing receivables, net	**9,216,920**	**4,994,531**	**342,844**	**14,554,295**
Customer acceptances	**139,174**	**136,928**	**11,748**	**287,850**
Other assets, net	**262,362**	**148,649**	**1,047**	**412,058**
Property, equipment and capital work-in-progress	**254,695**	**-**	**-**	**254,695**
Total assets	**13,600,903**	**12,981,528**	**417,545**	**26,999,976**
Due to banks	**408,311**	**2,933,126**	**-**	**3,341,437**
Customer deposits and Islamic customer deposits	**13,997,623**	**3,651,662**	**159,296**	**17,808,581**
Medium term borrowings	**1,000,000**	**-**	**-**	**1,000,000**
Customer acceptances	**139,174**	**136,928**	**11,748**	**287,850**
Other liabilities	**391,136**	**135,802**	**4,607**	**531,545**
Total liabilities	**15,936,244**	**6,857,518**	**175,651**	**22,969,413**
Net equity	**3,621,231**	**410,371**	**53**	**4,031,655**
Net balance sheet position	**(5,956,572)**	**5,713,639**	**241,841**	**(1,092)**
Off-balance sheet position	**3,784,160**	**(3,569,357)**	**(219,537)**	**(4,734)**

	AED AED'000	*USD AED'000*	*Other AED'000*	*Total AED'000*
Cash and balances with UAE Central Bank	2,225,224	-	-	2,225,224
Due from banks, net	311,596	230,884	42,666	585,146
Loans and advances and Islamic financing receivables, net	7,747,905	3,638,810	139,642	11,526,357
Investments and Islamic instruments, net	347,704	5,657,277	-	6,004,981
Property, equipment and capital work-in-progress	204,207	-	-	204,207
Customer acceptances	92,514	310,024	20,452	422,990
Other assets, net	380,792	110,820	963	492,575
Total assets	11,309,942	9,947,815	203,723	21,461,480
Due to banks	1,213,727	2,382,627	-	3,596,354
Customer deposits and Islamic customer deposits	10,461,553	2,826,656	288,826	13,577,035
Medium term borrowings	734,600	-	-	734,600
Customer acceptances	92,514	310,024	20,452	422,990
Other liabilities	505,486	71,409	2,071	578,966
Total liabilities	13,007,880	5,590,716	311,349	18,909,945
Net equity	2,281,983	269,452	50	2,551,485
Net balance sheet position	(3,979,921)	4,087,647	(107,676)	50
Off-balance sheet position	1,455,240	(1,574,407)	117,163	(2,004)

28 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

29 SHARIA NON-COMPLIANCE RISK

This is a risk where a transaction executed by the Bank does not conform to Sharia principles under which the product structure was approved. The Bank manages Sharia non-compliance risk by reviewing and approving structures, documentation, and material transactions before the same are launched, entered into, or executed. The ISSC and Sharia Control Department also review the Bank's Policies and Processes (along with all products, services and transactions) to ensure their design does not violate Sharia under which the products, services and material transactions were structured and documented. The oversight of Sharia non-compliance Risk is with the BRCC and RMC, with support from Risk Management Department and Sharia Control Department.

30 SEGMENTAL INFORMATION

For the purposes of reporting to the chief operating decision makers, the Bank is organized into three segments:

Wholesale banking -	principally handling loans including Islamic financing receivables and other credit facilities and deposit and current accounts for corporate and institutional customers.
Retail banking -	principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities as well as Islamic banking services
Treasury and capital markets -	principally managing the Bank's portfolio of investments along with Islamic sukuks and interbank treasury operations including transactions for foreign exchange, derivatives, margin FX and hedging strategies

Segmental information for the year ended 31 December 2025 is as follows:

	Wholesale Banking AED'000	*Retail banking AED'000*	*Treasury and Capital markets AED'000*	*Total AED'000*
Net interest income and income from Islamic products net of distribution to depositors	**350,782**	**62,292**	**165,573**	**578,647**
Other operating income	**122,626**	**17,133**	**78,137**	**217,896**
Operating expenses	**(198,213)**	**(75,773)**	**(91,436)**	**(365,422)**
Net impairment reversals/(losses)	**50,349**	**(4,356)**	**4,743**	**50,736**
Net profit for the year before tax	**325,544**	**(704)**	**157,017**	**481,857**
Capital expenditure - Property and equipment	**36,991**	**9,216**	**24,060**	**70,267**
As at 31 December 2025				
Segment assets	**13,412,625**	**3,394,293**	**10,193,058**	**26,999,976**
Segment liabilities	**16,424,918**	**3,311,021**	**3,232,382**	**22,968,321**

30 SEGMENTAL INFORMATION (continued)

Segmental information for the year ended 31 December 2024 was as follows:

	Wholesale banking AED'000	*Retail banking AED'000*	*Treasury and Capital markets AED'000*	*Total AED'000*
Net interest income and income from Islamic products net of distribution to depositors	265,184	45,841	155,530	466,555
Other operating income	96,755	8,877	33,616	139,248
Operating expenses	(179,103)	(58,098)	(80,657)	(317,858)
Net impairment reversals	29,178	13,524	124	42,826
Net profit for the year before tax	212,014	10,144	108,613	330,771
Capital expenditure - Property and equipment	22,499	4,501	19,007	46,007
As at 31 December 2024				
Segment assets	11,529,908	2,302,775	7,628,797	21,461,480
Segment liabilities	12,697,027	2,964,978	3,247,990	18,909,995

The Bank operates in only one geographic area, the Middle East. Accordingly, no further geographical analysis of operating income, net profit and net assets is given.

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Financial instruments and assets recorded at fair value

The following table shows an analysis of financial instruments and assets recorded at fair value by level of the fair value hierarchy:

31 December 2025	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	**15,317**	-	**15,317**
Forward and spot contracts	-	**5,987**	-	**5,987**
Foreign currency options	-	**1,561**	-	**1,561**
	-	**22,865**	-	**22,865**

31 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

31 December 2025	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Financial investments FVOCI				
Quoted investments				
Government debt securities	**2,010,012**	-	-	**2,010,012**
Other debt securities	**2,835,464**	-	-	**2,835,464**
Unquoted Investments				
Equities	-	-	**1,301**	**1,301**
	4,845,476	-	**1,301**	**4,846,777**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	**801**	-	**801**
Forward and spot contracts	-	**12,528**	-	**12,528**
Foreign currency options	-	**1,561**	-	**1,561**
	-	**14,890**	-	**14,890**

31 December 2024	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	42,826	-	42,826
Forward and spot contracts	-	8,442	-	8,442
	-	51,268	-	51,268

31 December 2024	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial investments FVOCI				
Quoted investments				
Government debt securities	1,572,776	-	-	1,572,776
Other debt securities	2,728,855	-	-	2,728,855
Unquoted Investments				
Equities	-	-	925	925
	4,301,631	-	925	4,302,556
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	1,356	-	1,356
Forward and spot contracts	-	10,793	-	10,793
Currency swaps	-	-	-	-
	-	12,149	-	12,149

During the year there were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy.

31 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Financial instruments and assets recorded at fair value (continued)

The following is a description of the determination of fair value for financial instruments and assets which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

31.1 Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency options and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

31.2 Financial investments

Financial investments valued using a valuation technique or pricing models primarily consist of unquoted equities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

31.3 Movements in level 3 financial instruments measured at fair value

There was no other movement between the levels of financial instruments during the year (2024: Nil).

31.4 Gains or losses on level 3 financial instruments included in the profit or loss for the year:

No gains or losses on level 3 financial instruments were included in the profit or loss for the year (2024: Nil).

31.5 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument is negligible.

31.6 Financial instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with the UAE Central Bank, due from banks, loans and advances and Islamic financing receivables, investments and Islamic instruments held at amortised cost, customer acceptances, other assets (excluding derivative assets), due to banks, customer deposits and Islamic customer deposits, medium term borrowings and other liabilities (excluding derivative liabilities) that are categorised as level two based on market observable inputs. The fair values of financial instruments not recorded at fair value are not materially different to their carrying values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

31.6.1 Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

31 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

31.6 Financial instruments not recorded at fair value (continued)

31.6.2 Financial instruments carried at amortised cost

The fair value of the quoted debt instruments at amortised cost as at 31 December 2025 amounted to AED 3,044,112 thousand (31 December 2024: AED 1,705,409 thousand). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

32 CAPITAL ADEQUACY

The Bank actively manages its capital to ensure that inherent risks in the business are adequately covered. The capital management process is aligned to the overall business strategy and within the Bank's capital risk appetite complying with the capital requirements set by the CBUAE. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholders' value.

The Bank uses the standardised approach for calculating its capital requirements for credit risk. Based on the asset class of the exposure and external credit ratings of the exposure or counterparty from designated credit rating agencies, wherever available, the appropriate risk weights are determined. For the regulatory market risk capital requirements, the Bank uses the standardised approach. For operational risk, the capital requirement is calculated using the basic indicator approach, which is a simple percentage of average positive gross revenues over the last three financial years.

The Bank manages its capital base and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital base, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Capital structure

The table below details the regulatory capital resources of the Bank:

	2025	*2024*
	AED'000	*AED'000*
Share capital	**3,093,826**	2,062,550
Statutory reserve	**150,828**	107,042
Special reserve	**121,904**	78,118
General reserve	**9,311**	9,311
Fair value reserves on investment securities at FVOCI	**(16,268)**	(98,231)
Retained earnings/ (accumulated losses)	**121,179**	(155,172)
Regulatory deduction	**(68,033)**	(27,581)
Proposed dividend	**(109,464)**	-
Total CET 1	**3,303,283**	1,976,037
Tier 1 instrument	**550,875**	550,875
Total Tier 1 capital	**3,854,158**	2,526,912
Tier 2 Capital		
Eligible general provision	**221,904**	182,045
Total Regulatory Capital	**4,076,062**	2,708,957

32 CAPITAL ADEQUACY (continued)

Capital structure

	2025	*2024*
	AED'000	*AED'000*
Risk weighted exposures		
Credit Risk	**17,752,329**	14,563,582
Operational Risk	**1,171,290**	983,100
Market Risk	**22,367**	10,312
Total Risk weighted exposures	**18,945,986**	15,556,994

The Capital Adequacy Ratio as per Basel III capital regulation is given below:

	2025	*2024*
	AED'000	*AED'000*
Capital Ratios		
Common equity Tier 1 capital ratio	**17.4%**	12.7%
Tier 1 capital ratio	**20.3%**	16.2%
Total capital adequacy ratio	**21.5%**	17.4%

The above capital adequacy ratios have been calculated in line with Basel guidelines and proposed dividends are subject to share holders' approval at the Annual General Meeting.

33 CASH AND CASH EQUIVALENT

	2025	*2024*
		AED'000
	AED'000	*Restated*
Cash and balances with UAE Central Bank	**2,489,611**	2,225,224
Due from banks	**1,141,380**	585,368
Due to banks	**(3,341,437)**	(3,596,354)
	289,554	(785,762)
Adjustments for:		
Balances with UAE Central bank maturing after three months	**(200,000)**	-
Due from banks maturing after three months	**(5,057)**	(220)
Due to banks maturing after three months	**2,068,498**	1,490,574
Total cash and cash equivalent	**2,152,995**	704,592

34 RESTATEMENT OF COMPARATIVE FIGURES

Management has re-evaluated the classification of the UAE Central Bank statutory reserve balance in "Balances with UAE Central bank maturing after three months" in the statements of cash flows in the prior years to determine if such transactions and balances have been classified appropriately under International Financial Reporting Standards ("IFRS").

As a result, management restated the comparatives to correct the misstatements detailed above in the financial statements for the year ended 31 December 2024 as prior year restatements.
This reclassification relates to the UAE Central Bank statutory reserve balance previously presented under "Balances with UAE Central bank maturing after three months", being moved from Operating activities to Cash and Cash Equivalents.

In previous years, the Bank had classified changes in the UAE Central Bank statutory reserve balance in "Cash and balances with UAE Central Bank" within "Net cash from operating activities". According to the UAE Central Bank regulations, the Bank is allowed to draw on the statutory deposit with the UAE Central Bank on any day up to 100%, while ensuring that it meets the reserve requirements over a 14-day period. International Accounting Standard 7- Statement of cash flows require demand deposit to be classified as "Cash and cash equivalents" in the statement of cash flows.

34 RESTATEMENT OF COMPARATIVE FIGURES (continued)

For the year ended 31 December 2025, the Bank re-assessed the nature of the UAE Central Bank statutory reserve balance in "Cash and balances with UAE Central Bank" and concluded that the balances are available on demand and meet the definition of Cash and cash equivalents, and therefore should be classified as cash and cash equivalents in the statement of cash flows.

The above misstatement has been corrected by restating each of the affected financial statement line items for the prior periods as follows. This restatement will also impact the Cash and Cash equivalents and cash from operating activities by AED 44,546 thousand, AED 73,617 thousand, AED 131,096 thousand in the statement of cash flows for the periods ended 31 March 2025, 30 June 2025 and 30 September 2025 respectively.

	Before restatement AED'000	*Restatement AED'000*	*Adjusted AED'000*
Cash flows from operating activities:			
Changes in operating assets and liabilities:			
Balances with UAE Central bank maturing after three months	(237,127)	237,127	-
Net cash from operating activities	(200,972)	237,127	36,155
Net change in cash and cash equivalents	(1,170,049)	237,127	(932,922)
Cash and cash equivalents at 1 January	1,182,622	454,892	1,637,514
Cash and cash equivalents at 31 December	12,573	692,019	704,592

35 IMPAIRMENT RESERVE

As per the new Credit Risk Management Standards (''CRMS'') issued by CBUAE, Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.5% of the Credit Risk weighted assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non distributable balance sheet reserve called the 'impairment reserve-general'. The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital.

During the year ended 31 December 2025, total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.5% of the Credit Risk weighted assets as computed under the CBUAE capital regulations.

	2025 AED'000	*2024 AED'000*
Non distributable impairment reserve – General		
Minimum provision for Stage 1 &2 as per CBUAE requirements	**266,285**	218,454
Less: Stage 1 and 2 impairment provision taken against income	**(266,374)**	(270,985)
Excess/(Shortfall) in stage 1 & 2 provision to meet minimum CBUAE requirements	**89**	52,531

36 SOCIAL CONTRIBUTIONS

Social contributions (including donations and charity) made during the year to various beneficiaries amounts to AED 148 thousand (31 December 2024: AED 210 thousand).

37 ZAKAT

There are no Zakat obligations on the Islamic Banking Department since all Islamic Assets are being financed by Islamic Depositors and there is no contribution from the Bank's shareholders. However, in the event that any Zakatable income arises, the obligation to pay Zakat rests with the shareholders and the investment account holders (Rab Al Mal). Furthermore, there is no authorization granted to the Bank, in its capacity as Mudarib, to pay Zakat on behalf of the depositors. There is also no provision in the Bank's Articles of Association, nor any resolution of the General Assembly, authorizing or mandating the Bank to calculate or pay Zakat on behalf of the shareholders or investment account holders. Accordingly, each shareholder and investment account holder bears sole responsibility for calculating and paying Zakat on their respective shares and funds once the applicable Sharia conditions and requirements are fulfilled.

38 LEGAL RISK AND LITIGATION

The Bank may be exposed to legal risk arising from the nature of its ordinary banking activities. These risks include potential claims, disputes, and enforcement actions that may occur in the normal course of business. The Bank maintains policies, procedures, and governance structures designed to identify, assess, and manage such exposures, including oversight by the Legal and Risk functions.

As at 31 December 2025, the Bank is involved in a number of legal proceedings and customer-related claims. These matters relate primarily to lending activities and contractual disputes. Based on current information and after taking appropriate legal advice, management believes that the outcome of these proceedings is not expected to have a material adverse effect on the Bank's financial position. Where a present obligation exists and an outflow of economic resources is considered probable, provisions have been recognized in accordance with the Bank's accounting policies and hence no additional provisions need to be made in these financial statements.

39 SUBSEQUENT EVENTS

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the financial statements for the year ended 31 December 2025.