



FAB 2025

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2025

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Independent auditor's report

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Abu Dhabi Bank P.J.S.C. (the “Bank”) and its subsidiaries (together the “Group”) as at 31 December 2025 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

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

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Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman's Resolution No. (88) of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International 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 together with applicable ethical and independence requirements of United Arab Emirates that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

Our audit approach

Overview

Key Audit Matter	Measurement of Expected Credit Losses on Loans, advances and Islamic financing
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where 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 consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

Our audit approach

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of Expected Credit Losses ("ECL") on Loans, advances and Islamic financing	
<p>The Directors recognise a provision for ECL in the consolidated financial statements in relation to loans, advances and Islamic financing (collectively, "facilities"). The estimation of ECL on these facilities involves significant judgements and estimates (Note 7).</p> <p>The ECL charge for the year ended 31 December 2025 on the facilities amounted to AED 3,138 million (net of recoveries and write-offs) (Note 36) and the allowance for ECL as at that date amounted to AED 9,356 million (Note 12).</p> <p>The Directors set policies and procedures and implement controls over the credit facilities approval process, including setting of risk appetite thresholds and credit limits, which provide a framework for the identification, monitoring and mitigation of credit risk, and thereby impacts the measurement of ECL.</p> <p>Policies and procedures include setting the definition of default, Significant Increase in Credit Risk (SICR) criteria, such as the number of days a facility has been in default, that are used to identify credit impaired facilities; as well as criteria that determine when a facility moves between stages, reflecting an increase or decrease in SICR.</p>	<p>We performed the following audit procedures on the computation and the reasonableness of the ECL on the facilities included in the Group's consolidated financial statements for the year ended 31 December 2025:</p> <ul style="list-style-type: none"> • We obtained an understanding of the design and tested the operating effectiveness of the relevant controls established by the Group, including IT general controls and application controls, for the estimation of ECL, calculation of days past due, application of the staging criteria and the process of overriding ECL modelled output. • For a sample of exposures of loans, we checked the appropriateness of the Group's application of the staging criteria, including the basis for movement between stages. • We evaluated the appropriateness of the accounting policies adopted by the Group based on the requirements of IFRS 9.

Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>In computing ECL, the Directors exercise significant judgments and make a number of assumptions in developing the Bank's ECL models, including assumptions on the calculation of days past due, application of the staging criteria, use of probability weighted scenarios and the process of overriding ECL modelled output. ECL is determined as a function of the assessment of the Probability of Default ("PD") for retail and non-retail portfolios, determination of Loss Given Default ("LGD"), adjusted for the forward-looking information and Exposure At Default ("EAD") associated with the underlying funded exposures subject to ECL.</p> <p>In the case of defaulted exposures, the Directors exercise judgment to evaluate and estimate the expected future cash flows for each exposure. This evaluation also takes into consideration the value of collateral securing these exposures and the timing of the realisation of such collateral.</p> <p>ECL overrides including staging overrides and overlays / underlays may also be recorded by the Directors using credit risk judgments where the assumptions and modelling assumptions do not capture all the relevant risk factors.</p>	<ul style="list-style-type: none"> • We involved our internal experts to assess the following areas: <ul style="list-style-type: none"> ○ Reasonableness and appropriateness of the methodology and assumptions used in calculation of various components of ECL modelling including the computation of PD, LGD and EAD for the models selected for testing. ○ Reasonableness of the key assumptions and judgements made by the Directors in assessing the definition of default, the application of Significant Increase in Credit Risk (SICR) and staging criteria, determining the historic and forward-looking information of macroeconomic data in estimating the ECL components and use of probability weighted 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 First Abu Dhabi Bank P.J.S.C.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>We considered this as a key audit matter as the Directors use complex models to calculate ECL that require the exercise of significant judgement; and the use of estimates - including the use of forward-looking macroeconomic data - the outcome of which has a material impact on the consolidated financial statements of the Group.</p> <p>The Group's impairment policy under IFRS 9 is presented in Note 6a (vii) to the consolidated financial statements. For disclosures in relation to ECL and credit quality, refer to Note 47(a) to consolidated financial statements.</p>	<ul style="list-style-type: none"> • We tested the completeness and the accuracy of the data used in the calculation of ECL for loans. • We assessed, on a sample basis, that reported exceptions to policies and procedures, if any, as outlined in the Board risk appetite statement were approved by the Board Risk and ESG Committee (BRESGC) 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 delegation of authority matrix, were approved by the Board / Board Management Committee (BMC) or its approved delegate and the approval process was formally documented. • For a sample of Stage 3 corporate customers, we assessed: <ul style="list-style-type: none"> ○ The appropriateness of discounted cash flows, including the discount rates used and the probable scenario analysis; and ○ the robustness of the Group's processes / controls with respect to the valuation and enforceability of collateral, including the underlying assumptions.



Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none">• We assessed the modification of loans accounting treatment for a sample of parties that have undergone rescheduling or restructuring.• 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.• We assessed the reasonableness of assumptions underlying the ECL provision for major product categories in the retail portfolio.• For a sample of exposures, we evaluated the reasonableness of the Directors' overrides including ECL overlays / underlays and staging overrides during the process of ECL computation.• We assessed the adequacy of the disclosures made in the Group's consolidated financial statements around ECL as required by IFRS Accounting Standards.



Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

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 consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the 2025 Integrated report, which is expected to be made available to us after that date.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 2025 Integrated report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

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

The Directors are responsible for the preparation and fair presentation of the consolidated 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 UAE Federal Decree-Law No. (6) of 2025 and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. (88) of 2021 Regarding Financial Statements Audit Standards for the Subject Entities will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. (88) of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

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

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

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 consolidated 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 Group 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 Group;
- (v) the Group has purchased or invested in shares during the year and the investments as at 31 December 2025 are disclosed in note 9 and note 13 to the consolidated financial statements;
- (vi) note 43 to the consolidated 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 Group 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 35 to the consolidated financial statements discloses the social contributions during the year ended 31 December 2025.

Further, as required by 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.



Independent auditor's report (continued)

To the Shareholders of First Abu Dhabi Bank P.J.S.C.

Report on other legal and regulatory requirements (continued)

Further, as required by the ADAA Chairman's Resolution No. (88) of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2025, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2025:

- (i) the Articles of Association which would materially affect its activities or its financial position as at 31 December 2025; and
- (ii) applicable provisions of the relevant laws, resolutions and circulars that have an impact on the Subject Entity's consolidated financial statements.

PricewaterhouseCoopers Limited Partnership - Abu Dhabi

27 January 2026

A handwritten signature in blue ink, appearing to read 'S. Scoular', with a stylized flourish at the end.

Stuart Alexander Scoular

Registered Auditor Number 5563

Abu Dhabi, United Arab Emirates

Consolidated statement of financial position

As at 31 December 2025

	Note	31 Dec 2025 AED million	31 Dec 2024 AED million
Assets			
Cash and balances with central banks	8	268,497	214,404
Investments at fair value through profit or loss	9	74,107	56,028
Due from banks and financial institutions	10	25,613	23,724
Reverse repurchase agreements	11	93,987	69,661
Derivative financial instruments	40	40,702	45,893
Loans, advances and Islamic financing	12	616,325	528,897
Non-trading investment securities	13	189,712	187,446
Other assets	14	56,562	49,440
Investment in associates	15	5,297	4,963
Investment properties	16	7,934	8,169
Property and equipment		5,386	4,683
Intangibles	17	19,742	19,939
Total assets		1,403,864	1,213,247
Liabilities			
Due to banks and financial institutions	18	137,801	71,896
Repurchase agreements	19	52,190	32,329
Commercial paper	20	29,939	17,888
Derivative financial instruments	40	48,548	53,758
Customer accounts and other deposits	21	840,773	782,379
Other liabilities	22	65,403	52,473
Term borrowings	23	75,308	64,788
Subordinated notes	24	7,017	6,861
Total liabilities		1,256,979	1,082,372
Equity			
Share capital	25	11,048	11,048
Share premium		53,583	53,583
Statutory and special reserves		13,084	13,084
Other reserves	25	164	(3,997)
Tier 1 capital notes	26	14,428	10,755
Share based payment		250	250
Retained earnings		54,141	46,029
Equity attributable to shareholders of the Bank		146,698	130,752
Non-controlling interest		187	123
Total equity		146,885	130,875
Total liabilities and equity		1,403,864	1,213,247

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, financial performance and cash flows of the Group as of, and for, the years presented therein.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 January 2026 and signed on its behalf:

Chairman

Group Chief Executive Officer

Group Chief Financial Officer

The accompanying notes forms an integral part of these consolidated financial statements.

The independent auditor's report on audit of the consolidated financial statements is set out on page 3 to 16.

Consolidated statement of profit or loss

For the year ended 31 December 2025

	Note	31 Dec 2025 AED million	31 Dec 2024 AED million
Interest income	27	56,638	59,574
Interest expense	28	(38,779)	(42,100)
Net interest income		17,859	17,474
Income from Islamic financing and investing products	29	3,943	3,474
Distribution on Islamic deposits	30	(1,480)	(1,336)
Net income from Islamic financing and investing products		2,463	2,138
Total net interest income and income from Islamic financing and investing products		20,322	19,612
Fee and commission income	31	7,057	5,520
Fee and commission expense	31	(2,240)	(1,762)
Net fee and commission income		4,817	3,758
Net foreign exchange (loss)/gain	32	(1,453)	1,832
Net gain on investments and derivatives	33	11,553	5,399
Other operating income	34	1,436	1,024
Operating income		36,675	31,625
General, administration and other operating expenses	35	(8,200)	(7,787)
Profit before net impairment charge and taxation		28,475	23,838
Net impairment charge	36	(3,275)	(3,924)
Profit before taxation		25,200	19,914
Income tax expense	37	(4,011)	(2,818)
Net profit for the year		21,189	17,096
Net profit attributable to:			
Shareholders of the Bank		21,110	17,055
Non-controlling interest		79	41
Basic and diluted earnings per share (AED)	42	1.85	1.48

The accompanying notes forms an integral part of these consolidated financial statements.

The independent auditor's report on audit of the consolidated financial statements is set out on page 3 to 16.

Consolidated statement of other comprehensive income

For the year ended 31 December 2025

	31 Dec 2025 AED million	31 Dec 2024 AED million
Net profit for the year	21,189	17,096
Other comprehensive Income/(loss)		
Items that will be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	294	(1,929)
Net change in fair value reserve during the year (including ECL)	1,256	324
Income tax	(105)	63
Items that will not be reclassified to profit or loss		
Equity investments at fair value through other comprehensive income - net change in fair value	(1,193)	(1,702)
Remeasurement of defined benefit obligations	(5)	(13)
Proposed Board of Directors' remuneration	(70)	(45)
Income tax	(26)	176
Other comprehensive income/(loss) for the year	151	(3,126)
Total comprehensive income for the year	21,340	13,970
Comprehensive income attributable to:		
Shareholders of the Bank	21,248	13,939
Non-controlling interest	92	31
Total comprehensive income for the year	21,340	13,970

The accompanying notes forms an integral part of these consolidated financial statements.

The independent auditor's report on audit of the consolidated financial statements is set out on page 3 to 16.

Consolidated statement of changes in equity

For the year ended 31 December 2025

	Share capital AED million	Share premium AED million	Treasury shares AED million	Statutory and special reserves AED million	Other reserves AED million	Tier 1 capital notes AED million	Share based payment AED million	Retained earnings AED million	Equity attributable to shareholders of the Bank AED million	Non-controlling interest AED million	Total equity AED million
Balance at 1 January 2025	11,048	53,583	-	13,084	(3,997)	10,755	250	46,029	130,752	123	130,875
Net profit for the year	-	-	-	-	-	-	-	21,110	21,110	79	21,189
Other comprehensive income / (loss) for the year	-	-	-	-	213	-	-	(75)	138	13	151
Treasury shares movements during the year	-	-	-	-	-	-	-	-	-	-	-
Interest on Tier 1 capital notes (note 26)	-	-	-	-	-	-	-	(679)	(679)	-	(679)
Impairment reserve movement (note 25)	-	-	-	-	1,427	-	-	(1,427)	-	-	-
Realised loss on sale of FVOCI Investment	-	-	-	-	2,521	-	-	(2,521)	-	-	-
New issuances (note 26)	-	-	-	-	-	3,673	-	(10)	3,663	-	3,663
<u>Transactions with owners of the Bank</u>											
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(8,286)	(8,286)	(28)	(8,314)
Balance at 31 December 2025	11,048	53,583	-	13,084	164	14,428	250	54,141	146,698	187	146,885
Balance at 1 January 2024	11,048	53,558	(7)	13,084	208	10,755	250	36,417	125,313	110	125,423
Net profit for the year	-	-	-	-	-	-	-	17,055	17,055	41	17,096
Other comprehensive loss for the year	-	-	-	-	(3,058)	-	-	(58)	(3,116)	(10)	(3,126)
Treasury shares movements during the year (note 25)	-	25	7	-	50	-	-	-	82	-	82
Interest on Tier 1 capital notes (note 26)	-	-	-	-	-	-	-	(743)	(743)	-	(743)
Impairment reserve movement (note 25)	-	-	-	-	(1,222)	-	-	1,222	-	-	-
Realised loss on sale of FVOCI Investment	-	-	-	-	25	-	-	(25)	-	-	-
<u>Transactions with owners of the Bank</u>											
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(7,839)	(7,839)	(18)	(7,857)
Balance at 31 December 2024	11,048	53,583	-	13,084	(3,997)	10,755	250	46,029	130,752	123	130,875

The accompanying notes forms an integral part of these consolidated financial statements.

The independent auditor's report on audit of the consolidated financial statements is set out on page 3 to 16.

Consolidated statement of cash flows

For the year ended 31 December 2025

	Note	31 Dec 2025 AED million	31 Dec 2024 AED million
Cash flows from operating activities			
Profit before taxation		25,200	19,914
Adjustments for:			
Depreciation and amortisation of intangibles	35	959	1,087
Gain on sale of property and equipment		(1)	(22)
Gain on sale of investment properties		(292)	-
Fair value gain on investment property		(153)	-
Net impairment charge	36	3,666	4,650
Net other operating income		-	303
Accreted interest		558	452
		29,937	26,384
Changes in:			
Investments at fair value through profit or loss		(18,138)	(10,758)
Due from central banks, banks and financial institutions		(476)	(814)
Reverse repurchase agreements		(24,308)	8,835
Loans, advances and Islamic financing		(91,256)	(49,976)
Other assets		(6,976)	(8,076)
Due to banks and financial institutions		65,905	368
Repurchase agreements		19,861	6,233
Customer accounts and other deposits		58,203	22,516
Derivative financial instruments		1,275	1,800
Other liabilities		11,710	3,958
		45,737	470
Income tax paid, net of recoveries	22	(2,966)	(1,446)
Board of Directors' remuneration paid		(45)	(45)
Net cash from / (used in) operating activities		42,726	(1,021)
Cash flows from investing activities			
Net movement in non-trading investment securities and investment in associates		(3,375)	(12,060)
Purchase of investment properties		(593)	(9)
Sale of investment properties		1,068	2
Purchase of property and equipment, net of disposal		(888)	97
Net cash used in investing activities		(3,788)	(11,970)
Cash flows from financing activities			
Net movement of commercial paper		12,051	(1,771)
Dividend paid		(8,343)	(7,840)
Issue of term borrowings	23	19,053	14,648
Repayment of term borrowings	23	(10,815)	(12,461)
Issuance of subordinated note		-	2,755
Issuance of Tier 1 capital notes	26	3,673	-
Interest on Tier 1 capital notes	26	(679)	(743)
Net cash from / (used in) financing activities		14,940	(5,412)
Net increase / (decrease) in cash and cash equivalents		53,878	(18,403)
Foreign currency translation adjustment		1,618	(2,967)
Cash and cash equivalents at 1 January		235,828	257,198
Cash and cash equivalents	38	291,324	235,828

The accompanying notes forms an integral part of these consolidated financial statements.

The independent auditor's report on audit of the consolidated financial statements is set out on page 3 to 16.

Notes to the consolidated financial statements

For the year ended 31 December 2025

1 Legal status and principal activities

First Abu Dhabi Bank PJSC (the “Bank”) is a public joint stock company with a limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE) under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended). The registered address of the Bank is P. O. Box 6316, FAB Building, Khalifa Business Park, Al Qurum, Abu Dhabi, United Arab Emirates.

These consolidated financial statements as at and for the year ended 31 December 2025, comprise the Bank and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in corporate, consumer, private and investment banking activities, payment services, management services, Islamic banking activities, and real estate activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in the United Arab Emirates, Bahrain, Brazil, Cayman Islands, China, Egypt, France, Hong Kong, India, Indonesia, Iraq, Jordan¹, Kingdom of Saudi Arabia, Kuwait, Lebanon¹, Libya, Malaysia, Oman, Qatar², Singapore, South Korea, Switzerland, the United Kingdom and the United States of America.

The Group’s Islamic banking activities are conducted in accordance with Islamic Shari’ah rules and principles as interpreted by the Internal Shariah Supervision Committee (“ISSC”) in accordance with the resolutions issued by the Higher Shariah Authority (“HSA”).

The Bank is listed on the Abu Dhabi Securities Exchange (Ticker: FAB). The consolidated financial statements of the Group as at and for the year ended 31 December 2025 are available upon request from the Group’s registered office or at website (<http://www.bankfab.com>).

¹ Under closure.

²The Bank has notified the Qatar Financial Centre Regulatory Authority (“QFCRA”) that it will relinquish its Qatar Financial Centre (“QFC”) branch license and permanently close its QFC branch.

2 Statement of compliance

These consolidated financial statements have been prepared on a going concern basis as management is satisfied that the Group 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 consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 January 2026.

3 Basis of preparation

(a) Basis of measurement

These consolidated financial statements are prepared under the historical cost basis except for the following items, which are measured on the following basis:

Items	Measurement basis
Investments at fair value through profit or loss (“FVTPL”)	Fair value
Derivative financial instruments	Fair value
Debt and equity instruments designated at fair value through other comprehensive income (“FVOCI”)	Fair value
Investment properties	Fair value
Recognised assets and liabilities designated as hedged items in qualifying hedge relationships	Adjusted for changes in fair value attributable to the risk being hedged
Non-financial assets acquired in settlement of loans, advances and Islamic financing	Lower of fair value less costs to sell and the carrying amount of the loans, advances and Islamic financing

(b) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams (“AED”), which is the Group’s presentation currency. The presentation of the consolidated financial statements has been rounded to the nearest millions, unless otherwise indicated. Items included in the financial statements of each of the Group’s overseas subsidiaries and branches are measured using the currency of the primary economic environment in which they operate.

Notes to the consolidated financial statements

For the year ended 31 December 2025

4 Changes in accounting policies and disclosures

New and amended standards and interpretations adopted

The following amendments to existing standards and framework have been applied by the Group in preparation of these consolidated financial statements. The adoption of the amended standards below did not result in changes to previously reported net profit or equity of the Group.

Description	Effective from
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025

Standards issued but not yet effective

The following new standards and amendments to the existing standards are applicable to annual reporting periods beginning on or after 1 January 2026 and early application is permitted. The Group is currently evaluating the impact of the new standards and amendments to the existing standards and expects to adopt them on the effective date.

Description	Effective from
IFRS 18 Presentation and disclosure in financial statements - This new standard contains requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	1 January 2027
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	1 January 2026
Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures – This new standard permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures.	1 January 2027
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026

5 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations under the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognised in profit or loss. Acquisition related costs are expensed as incurred and included in general, administration and other operating expenses, except if related to the issue of debt or equity securities.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value, and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent considerations are measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the excess consideration is recognised immediately in consolidated statement of profit or loss as a gain from bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Notes to the consolidated financial statements

For the year ended 31 December 2025

5 Basis of consolidation (continued)

(i) Business combinations (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGUs") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. An impairment loss is recognised if the carrying amount of the CGU exceeds its recoverable amount. Where goodwill has been allocated to a CGUs and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(ii) Subsidiaries

IFRS 10 – "Consolidated financial statements" governs the basis for consolidation where it establishes a single control model that applies to all entities including special purpose entities or structured entities. The definition of control is such that an investor controls an investee when it is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

- (a) the investor has power over an investee;
- (b) the investor has exposure to, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Generally, it is presumed that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether Group has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- (a) The purpose and design of the investee.
- (b) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- (c) Potential voting rights held by the Group.
- (d) The relevant facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time the decision needs to be made (including voting patterns at previous shareholders' meetings) and whether the Group can direct those activities.
- (e) Contractual arrangements such as call rights, put rights and liquidation rights.
- (f) Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

Subsidiaries (including special purpose entities) are entities that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries (including special purpose entities) are included in these consolidated financial statements from the date that control commences until the date that control ceases. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Bank and to the non-controlling interests ("NCI"), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies.

The carrying amount of the Group's investment in each subsidiary and the equity of each subsidiary are eliminated on consolidation. All significant intra group balances, transactions and unrealised income and expenses arising from intra group transactions are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Notes to the consolidated financial statements

For the year ended 31 December 2025

5 Basis of consolidation (continued)

(ii) Subsidiaries (continued)

The consolidated financial statements comprises the financial statements of the Bank and those of its following subsidiaries (including special purpose entities):

Legal Name	Country of Incorporation	Principal activities	As at 31 Dec 2025	As at 31 Dec 2024
First Abu Dhabi Bank USA N.V.	Curacao	Banking	100%	100%
First Abu Dhabi Bank Securities - Sole Proprietorship LLC	United Arab Emirates	Brokerage	100%	100%
Abu Dhabi National Leasing LLC	United Arab Emirates	Leasing	100%	100%
Abu Dhabi National Properties PJSC	United Arab Emirates	Property Management	100%	100%
FAB Private Bank (Suisse) SA	Switzerland	Banking	100%	100%
First Abu Dhabi Islamic Finance PJSC	United Arab Emirates	Islamic Finance	100%	100%
Abu Dhabi Securities Brokerage Egypt ¹	Egypt	Brokerage	96%	96%
NBAD Employee Share Options Limited ⁴	United Arab Emirates	Shares and Securities	-	100%
National Bank of Abu Dhabi Representações Ltda	Brazil	Representative office	100%	100%
FAB Global Markets (Cayman) Limited	Cayman Islands	Financial Institution	100%	100%
Nawat Management Services - Sole Proprietorship LLC	United Arab Emirates	Services	100%	100%
Mismak Properties - Sole Proprietorship LLC ("Mismak")	United Arab Emirates	Real estate investments	100%	100%
Shangri La Dubai Hotel LLC	United Arab Emirates	Real estate investments	100%	100%
First Merchant International LLC ("FMI")	United Arab Emirates	Real estate investments	100%	100%
FAB Employment Services LLC	United Arab Emirates	Resourcing services	100%	100%
FAB Resourcing Services LLC	United Arab Emirates	Resourcing services	100%	100%
Horizon Gulf Electromechanical Services LLC ("Horizon")	United Arab Emirates	Real estate related services	100%	100%
Horizon Gulf General Contracting LLC	United Arab Emirates	Real estate related services	100%	100%
PDCS Engineering LLC	United Arab Emirates	Real estate related services	100%	100%
Horizon Gulf Oil and Gas Services LLC	United Arab Emirates	Real estate related services	100%	100%
FAB Sukuk Company Limited ³	Cayman Islands	Special purpose entity	-	-
First Gulf Libyan Bank ²	Libya	Banking services	50%	50%
First Gulf Information Technology LLC ("FGIT")	United Arab Emirates	IT Services	100%	100%
FAB Global Business Services Limited	India	IT Services	100%	100%
FAB Capital Financial Company (A Saudi Closed Joint Stock Company)	Kingdom of Saudi Arabia	Financial Institution	100%	100%
First Abu Dhabi Bank Misr S.A.E ("FAB Misr")	Egypt	Banking	100%	100%
FAB Invest SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	100%
1968A SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	100%
1968B SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	100%
1968C SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	100%
1968D SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	100%
Lime Consumer Finance	Egypt	Financial services	100%	100%
Ocean View Hotel – L.L.C - S.P.C	United Arab Emirates	Real estate related services	100%	-
FAB Asset Management Limited	United Arab Emirates	Financial services	100%	-

¹ Under liquidation.

² Although the Bank owns 50% of the outstanding shares of First Gulf Libyan Bank, the investment has been classified as a subsidiary as the Bank exercises control over the investee because it casts the majority of the votes on the Board of Directors.

³ FAB Sukuk Company's entire issued share capital is held by Maple FS Limited on trust for charitable purposes.

⁴ Liquidated during the year.

Notes to the consolidated financial statements

For the year ended 31 December 2025

5 Basis of consolidation (continued)

(iii) Structured entities

A structured entity is established by the Group to perform a specific business objective. Structured entities are designed so that their voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. In assessing whether the Group acts as a principal or has power over investees in which it has an interest, the Group considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

The Group acts as a fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors right to appoint, reassign or remove the fund manager. Whilst assessing control, the Group reviews all facts and circumstances to determine whether as a fund manager the Group is acting as agent or principal. If deemed to be a principal, the Group controls the fund and would consolidate them else as an agent the Group would account for them as investments in funds.

The Group's interest in investment funds in which it acts as an agent is set out below, these funds are included as part of non-trading investment securities and investments at fair value through profit or loss.

Type of Structured Entity	Nature and purpose	Interest held by the Group
Investment funds managing assets	Generate fees from managing assets on behalf of third-party investors	Investments in units issued by the fund amounting to AED 8 million for 31 December 2025 (31 December 2024: AED 2 million)

(iv) Joint Arrangements and Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but no control or joint control over those policies. Investment in associates is accounted under the equity method of accounting.

A joint arrangement is an arrangement between the Group and other parties where the Group along with one or more parties has joint control by virtue of a contractual agreement. Joint arrangement may be a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to and record their respective share of the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to the net assets of the joint arrangement and, thus, are accounted under the equity method of accounting.

Under the equity method, the investment in an associate is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. Goodwill is neither amortised nor individually tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the consolidated statement of other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognises the loss in the consolidated statement profit or loss. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture.

Notes to the consolidated financial statements

For the year ended 31 December 2025

5 Basis of consolidation (continued)

(iv) Joint Arrangements and Investments in Associates (continued)

The list of associates is as follows:

Legal Name	Country of incorporation	Principal activities	31 Dec 2025	31 Dec 2024
Neptune Project Holding 1 Limited (UAE) ("NPH1")	United Arab Emirates	Payment services	34%	34%
Midmak Properties LLC	United Arab Emirates	Real estate Investments	16%	16%
Emirates Digital Wallet LLC	United Arab Emirates	Payment services	24%	24%

(v) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(vi) Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not assets of the Bank.

6 Material accounting policies

(a) Financial assets and liabilities

(i) Recognition and initial measurement

The Group initially recognises loans, advances and Islamic financing, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (excluding regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

All regular purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to or received from the counterparty. Regular purchases or sales of financial assets are those that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

A financial asset or financial liability is measured initially at fair value plus or minus, transaction costs that are directly attributable to its acquisition or issue except for an item not at fair value through profit or loss. The fair value of financial assets and liabilities on initial recognition is generally its transaction price.

(ii) Financial assets - classification

The classification of financial assets at initial recognition depends on their contractual terms and the business model for managing the instruments. On initial recognition, a financial asset is classified as: amortised cost or Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Profit or Loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest ("SPPI") on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are that are solely payment of principal and interest outstanding.

On initial recognition of certain equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(ii) Financial assets - classification (continued)

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Group makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how much cash flows are realised.

The business model assessment is based on the reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Group's consumer and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the consumer business, the loan portfolio comprises of mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Financial assets that are either held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flow nor held both to collect contractual cash flows and to sell financial assets.

Certain debt securities are held by the Group in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. Certain other debt securities are held by the Group in separate portfolios to meet everyday liquidity needs. The Group seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value.

The Group considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial assets due to repayments of principal or amortisation of the premium/discount. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (like liquidity risk and administrative costs etc.), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flow such that it would not meet this condition. In making the assessment, the Group considers:

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(ii) Financial assets - classification (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI") (continued)

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangement); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition. The Group had no financial assets held outside trading business models that failed the SPPI assessment.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities are measured at amortised cost or FVTPL.

A financial liability is measured at FVTPL if it is classified as held for trading, it is a derivative as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities are never reclassified.

(iii) Derecognition

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(iii) Derecognition (continued)

Derecognition of financial assets (continued)

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its consolidated 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 securities lending and sale and repurchase transactions.

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, because the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset in which case, the Bank also recognises an associated liability. The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(iv) Modifications of financial assets and financial liabilities

Modification of financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flow, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification doesn't result into cash flows that are substantially different, then a financial asset does not result in derecognition of the financial asset. In this case, the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a gain or loss in profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(iv) Modifications of financial assets and financial liabilities (continued)

Modification of financial assets (continued)

For floating rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees receivable as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Modification of financial liabilities

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by recomputing the effective interest rate on the instrument.

(v) Offsetting

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS Accounting Standards netting criteria are met. Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has an enforceable legal right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vi) 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 market, or in its absence, the most advantageous market to which the Group has access at that date regardless of whether that price is directly observable or estimated using valuation technique. The fair value of a liability reflects its non-performance risk. The Group applies judgement as described below to assess if there is quoted price available in an active market, which determines the level in the fair value hierarchy into which the fair value instrument is classified.

When quoted price is available, the Group measures the fair value of a financial 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. If there is no quoted price in an active market, then the Group uses the 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 consider 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 Group 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 the consolidated statement of 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.

If a financial asset or a financial liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group based on the net exposure to either market or credit risk, are measured based on 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. Portfolio level adjustments like bid-ask adjustment or credit risk adjustments that reflect the measurement based on the net exposure are allocated to the individual assets and liabilities based on the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of investments in mutual funds, private equity funds or similar investment vehicles is based on the latest net asset value published by the fund manager. For other investments, a reasonable estimate of the fair value is determined by reference to the price of recent market transactions involving similar investments or based on the expected discounted cash flows.

The fair value of a financial liability with a demand feature (demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

(vii) Impairment

The Group recognises loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Balances with central banks;
- Due from banks and financial institutions;
- Reverse repurchase agreements;
- Non-trading investment at fair value through other comprehensive income (debt securities);
- Non-trading investment securities at amortised cost
- Loans, advances and Islamic financing;
- Other financial assets;
- Undrawn commitment to extend credit; and guarantees.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (note 47 (a)).

The Group considers the above debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Credit loss allowances are measured using the following approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there is no significant increase in credit risk ("SICR") since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage. Similar to Stage 2, the allowance for credit loss captures the lifetime expected credit loss.
- Purchased or originated credit impaired (POCI) – POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at origination. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit loss.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Impairment (continued)

Measurement of ECL

The key inputs into the measurement of ECL are:

- Probability of default ("PD");
- Exposure at default ("EAD"); and
- Loss given default ("LGD").

These parameters are generally derived from statistical models and other historical data. They are adjusted to reflect forward looking information. Additionally, the Group has an extensive review process to adjust ECL for factors not available in the model.

The Group 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.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectation of future conditions.
- EAD – The exposure at default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

ECL have a probability weighted estimate of credit loss. They are measured as follows:

- 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 Group expects to receive);
- 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;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Impairment (continued)

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of Loans, advances and Islamic financing by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Purchased or Originally Credit Impaired ("POCI") financial assets

For POCI assets, lifetime ECL are incorporated on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Presentation of allowance for ECL in the consolidated statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision reported under other liabilities; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write off

Financial assets are written off (either partially or full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'net impairment charge' in the consolidated statement of profit or loss. Financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

Central Bank of the UAE ("CBUAE") provision requirements

As per Credit Risk Management Standards ("CRMS") issued by CBUAE and notice no. CBUAE/BIS/2024/5131 dated 17 October 2024, if the general/collective provision cumulatively is higher than the impairment allowance computed under IFRS 9, the differential should be transferred to an "Impairment Reserve" as an appropriation from the retained earnings. The impairment reserve will not be available for payment of dividend.

(b) Cash and cash equivalents

In the statement of financial position, cash and cash equivalents comprise of notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of its acquisition. Cash equivalents are held for the purpose of meeting short-term cash commitments for investment or other purposes.

Cash and cash equivalents are non-derivative financial assets measured at amortised cost in the consolidated statement of financial position.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(c) Due from banks and financial institutions

These are non-derivative financial assets that are measured at amortised cost, less any allowance for impairment.

(d) Investments at fair value through profit or loss

These are securities that the Group acquire principally for the purpose of selling in the near term or holding as a part of portfolio that is managed together for short-term profit or position taking. These assets are initially recognised at fair value and subsequently also measured at fair value in the consolidated statement of financial position. All changes in fair values are recognised as part of profit or loss.

(e) Reverse repurchase agreements

Assets purchased with a simultaneous commitment to resell at a fixed price on a specified future date are not recognised in the consolidated statement of financial position. The amount paid to the counterparty under these agreements is recorded as reverse repurchase agreements in the consolidated statement of financial position. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement and charged to the consolidated statement of profit or loss using an effective interest rate method.

(f) Loans, advances and Islamic financing

Loans, advances and Islamic financing' captions in the consolidated statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- lease receivables;
- loans and advances measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised in profit or loss; and
- Islamic financing and investing contracts.

Loans, advances and Islamic financing are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

In determining whether an arrangement is a lease, the Group ascertains the substance of the arrangement and assesses whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the assets.

These are derecognised when either the borrower repays its obligations or the loan is sold or written off.

Islamic financing and investing contracts

The Group engages in Shari'ah compliant Islamic banking activities through various Islamic contracts such as Ijara, Forward Ijara, Murabaha, Mudaraba and Wakala.

Ijara / Forward Ijara

Ijara / Forward Ijara is an Islamic financing structure in which the Group (as lessor) leases an asset that it acquires based on the customer's (lessee's) request and commitment to lease or forward lease the asset for a specified period. The lease is executed against agreed rental or advance rental installments.

At the end of the financing term, upon full settlement of the agreed financial obligations, ownership of the asset is transferred to the lessee through the exercise of a purchase or sale undertaking.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(f) Loans, advances and Islamic financing (continued)

Islamic financing and investing contracts (continued)

Murabaha

A sale contract whereby the Group sells to a customer commodities and other assets at an agreed upon cost price plus marked up profit (Deferred Sale Price). The Group purchases the assets based on a promise received from customer to buy the item purchased according to specific terms and conditions. The Deferred Sale Price of the Murabaha is fixed at the commencement of the transaction and payable by the buyer on deferred based on agreed terms and conditions.

Mudaraba

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a shariah compliant project or a particular activity and any profits generated are distributed between the parties according to the profit shares that were pre-agreed in the contract. The Mudarib would bear the loss in case of negligence or violation of any of the terms and conditions of the Mudaraba, otherwise, losses are borne by the Rab Al Mal.

Wakala

An agreement between the Group and customer whereby one party (Muwakkil) provides a certain sum of money to an agent (Wakil), who invests it according to specific conditions in Shari'ah compliant activities and expected return in consideration of performance incentive and/or a certain fee based on the Wakala agreement. The expected return payable to the Muwakkil is subject to actual return generated under the Wakalah investment. In case the actual return is less than the expected return, the agent shall be liable to guarantee any losses, or shortfall arises if it is due to its negligence or violation of any of the terms and conditions of the Wakala otherwise, losses are borne by the Muwakkil. In case the actual return is more than the expected return, the Muwakkil shall be entitled to the expected return amount, and any excess amount shall be entitled by the Wakil as incentive. The Group may be Wakil or Muwakkil depending on the nature of the transaction.

(g) Non trading investment securities

The 'non-trading investment securities' caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost under the effective interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

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.

The Group elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings at the disposal of an investment. These investments are held for long-term strategic purposes.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(h) Investment properties

Investment properties are defined as land, a building or part of a building (or a combination of these including property under construction) held to earn rentals and/or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss under 'Other operating income' in the year in which they arise. Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss statement in the year of retirement or disposal.

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within 'Other operating income' in the consolidated statement of profit or loss.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

Subsequent expenditures are only capitalised when it is probable that the future economic benefits of such expenditures will flow to the Group. Ongoing expenses are charged to consolidated statement of profit or loss as incurred.

(iii) Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciation is calculated using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Freehold Land and Capital work in progress is not depreciated.

The estimated useful lives of assets for the current and comparative period are as follows:

Buildings and villas	20 to 50 years
Office furniture and equipment	5 to 10 years
Fit-out leased premises	3 to 10 years
Safes	10 years
Computer systems and equipment	3 to 7 years
Vehicles	3 years

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

(iv) Capital work in progress

Capital work in progress assets are assets in the course of construction for production, supply or administrative purposes, are carried out at cost, less any recognised impairment loss. Cost includes all direct costs attributable to design and construction of the property capitalised in accordance with Group's accounting policies. When the assets are ready for the intended use, the capital work in progress is transferred to the appropriate property and equipment category and is depreciated in accordance with the Group's accounting policies.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(i) Property and equipment (continued)

(v) Impairment of non-financial assets

At each reporting date, the Group assesses the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating units (CGU) exceeds its recoverable amount.

Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or group of CGUs that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to disposal. 'Value in use' is based on the estimated future cash flows, discounted to their present value using pretax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of any other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Intangible assets

The Group's intangible assets other than goodwill include intangible assets arising out of business combinations. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill arising on acquisition represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill and license acquired in a business combination are allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill and license impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(j) Intangible assets (continued)

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss.

The estimated useful lives of the intangible assets for the calculation of amortisation are as follows:

Customer relationships	7.5 to 15 years
Core deposits	2.5 years to 15 years
Brand	20 years
License	Indefinite life

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of goodwill allocated to the CGU, and then to reduce the amount of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other intangible assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the statement of profit or loss.

(k) Collateral pending sale

Real estate and other collateral may be acquired as the result of settlement of certain loans, advances and Islamic financing and are recorded as assets held for sale and reported in "Other assets". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loans, advances and Islamic financing (net of impairment allowance) at the date of exchange. No depreciation is provided in respect of assets held for sale. 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 consolidated statement of profit or loss. Any subsequent increase in fair value less costs to sell, to the extent this does not exceed the cumulative impairment loss, is recognised in the consolidated statement of profit or loss. The Group's collateral disposal policy is in line with the respective regulatory requirement of the regions in which the Group operates.

(l) Due to banks and financial institutions, customer accounts and other deposits and commercial paper

Due to banks and financial institutions, customer accounts and other deposits and commercial paper are financial liabilities and are initially recognised at their fair value minus the transaction costs and subsequently measured at their amortised cost using the effective interest rate method.

(m) Repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a fixed price on a specified future date are not derecognised from the statement of the financial position as the Group retains substantially all of the risks and reward of ownership. The liability to the counterparty for amounts received including accrued interest under these agreements is shown as repurchase agreements in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement and charged to the consolidated statement of profit or loss using the effective interest rate method.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(n) Term borrowings and subordinated notes

Term borrowings and subordinated notes include convertible notes that can be converted into share capital at the option of the holder, where the number of shares issued do not vary with changes in their fair value, and are accounted for as compound financial instruments. The equity component of the convertible notes is calculated as the excess of issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option.

Term borrowing which are designated at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve. On initial recognition of financial liability, the Group assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; and
- the impact on profit or loss of expected changes in fair value of the related instruments.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

(o) Interest income and expense

(i) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. The calculation of the effective interest rate includes transaction costs and any discount or premium on the acquisition of the financial asset, as well fees and costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(ii) Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(iii) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

For information on when financial assets are credit impaired, note 6(a)(vii).

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(o) Interest income and expense (continued)

(iv) Presentation

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk; and
- negative interest on financial liabilities measured at amortised cost.

Interest expense presented in the consolidated statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.
- negative interest on financial assets measured at amortised cost; and
- Interest expense on lease liabilities.

(p) Income from Islamic financing activities

Ijara income is recognised on an effective profit rate basis over the lease term where the usufruct of the lease asset is being transferred to and used by the lessee, until such time a reasonable doubt exists with regard to its collectability.

Murabaha income is recognised based on a fixed deferred sale price stipulated in the Murabaha contract. Based on the Bank's internal accounting treatment, the profit element of the deferred sale price is being calculated on an effective profit rate basis over the period of the contract, until such time a reasonable doubt exists with regard to its collectability.

Mudaraba income is recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to the consolidated statement of profit or loss on their declaration by the Mudarib. Where the Group is the Rab Al Mal the losses are charged to the Group's consolidated statement of profit or loss when incurred.

Wakala income is recognised on an effective profit rate basis over the period, adjusted by actual income when received. Losses are accounted for when incurred.

(q) Depositors' share of profit

Depositors' share of profit is amount accrued as expense on the funds accepted from banks and customers in the form of wakala and mudaraba deposits and recognised as expenses in the consolidated statement of profit or loss. The amounts are calculated in accordance with agreed terms and conditions of the wakala deposits and Shari'ah principles.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(r) Fee and commission income and expense

The Group earns fee and commission income from a diverse range of financial services provided to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The basis of accounting treatment of fees and commission depends on the purposes for which the fees are collected and accordingly the revenue is recognised in consolidated statement of profit or loss. Fee and commission income is accounted for as follows:

- income earned from the provision of services is recognised as revenue as the services are provided;
- income earned on the execution of a significant act is recognised as revenue when the act is completed; and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in "Interest income".

A contract with a customer that results in a recognised financial instrument in the Group's consolidated financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee and commission expense relates mainly to transaction and service fees which are expensed as the services are received.

(s) Zakat

Zakat is paid on behalf of shareholders in jurisdictions where zakat payment is made mandatory by the regulations of the jurisdictions. Such payment is made in accordance with the regulations of the jurisdictions. On annual basis, the Group notifies shareholders on the Zakat per share payable with regards to the Group's Islamic banking activities/assets.

(t) Net gain/(loss) on investments and derivatives

Net gain/(loss) on investments and derivatives comprises realised and unrealised gains/losses on investments at fair value through profit or loss and derivatives, realised gains/losses on non-trading investment securities and dividend income. Net gain/(loss) on investment at fair value through profit or loss also includes changes in the fair value of financial assets and financial liabilities designated at fair value. Interest income and expense on financial assets and financial liabilities at FVTPL are included under net gain/(loss) on investment and derivatives.

Gains or losses arising from changes in fair value of FVOCI assets are recognised in the statement of other comprehensive income and recorded in fair value reserve with the exception of ECL, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets which are recognised directly in the consolidated statement of profit or loss. Where the investment is sold or realised, the cumulative gain or loss previously recognised in equity under fair value reserve is reclassified to the consolidated statement of profit or loss in case of debt instruments. Non-trading investment securities include FVOCI and amortised cost instruments.

Amortised cost investments, which are not close to their maturity, are not ordinarily sold. However, when they are sold or realised, the gain or loss is recognised in the consolidated statement of profit or loss.

Dividend income is recognised when the right to receive payment is established.

(u) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the spot exchange rates at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(u) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Foreign currency differences arising on transactions are generally recognised in profit or loss. However, foreign currency differences arising from the transaction arising from the translation of the following item are recognised in OCI.

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

On consolidation, the assets and liabilities of the foreign operations are translated into UAE Dirhams at rates of exchange at the reporting date. The profit or loss of foreign operations are translated at average rates, as appropriate. Exchange differences (including those on transactions which hedge such investments) arising from retranslating the opening net assets, are taken directly to foreign currency translation adjustment account in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is retributed to NCI.

(v) Income taxes

Income tax expense comprises of current and deferred tax. It is recognised in profit or loss except to the extent it relates to a business combination, or items recognised directly in equity or OCI. The Group has determined that the global minimum top up tax which is required to pay under Pillar Two legislation is an income tax in the scope of IAS 12. The Group has applied mandatory relief from deferred tax accounting for the impacts of the top up tax and accounts for it as a current tax when it is incurred. Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered/receivable from, or paid/payable, to the taxation authorities. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any.

Current tax is provided for in accordance with fiscal regulations of the respective countries in which the Group operates and is recognised in the consolidated statement of profit or loss. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated statement of profit or loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised in respect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for all taxable differences, except for the following:

- temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.
- temporary differences relating to investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that temporary differences will not reverse in the foreseeable future.
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow for all or part of the deferred tax asset to be utilised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(v) Income taxes (continued)

Tax benefits acquired as part of a business combination but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Bank offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Refer note 22 for pillar 2 related disclosure.

(w) Derivative financial instruments

A derivative is a financial instrument or other contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

Derivative financial instruments are initially measured at fair value at trade date and are subsequently remeasured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty and netting set, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models mainly discounted cash flow models. The method of recognising the resulting fair value gains or losses depends on whether the derivative is held for trading, or is designated as a hedging instrument and, if so, the nature of the risk being hedged. All gains and losses from changes in fair value of derivatives held for trading are recognised in the consolidated statement of profit or loss.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the consolidated statement of financial position together with the host contract.

(x) Other derivatives

Other non-trading derivatives are recognised on balance sheet at fair value. If a derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net gain on investments and derivatives or net foreign exchange gain.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(y) Hedge accounting

When derivatives are designated as hedges, the Group classifies them as either:

- fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- hedge of net investment which are accounted similarly to a cash flow hedge. Hedge accounting is applied to derivatives designated as hedging instruments in a fair value or cash flow, provided the criteria are met.

It is the Group's policy to document, at the inception of a hedge, the relationship between hedging instruments and hedged items, as well as risk management objective and strategy. The policy also requires documentation of the assessment, at inception and on an ongoing basis, of the effectiveness of the hedge.

The Group 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. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecasted transaction is highly probable to occur and presents an exposure to variations in cash flow that could ultimately affect profit or loss.

The Group normally designates a portion of the cash flow of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

(i) Fair value hedge

When a derivative is designated as the hedging instrument in a fair value hedge relationship, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at amortised cost, then its carrying amount is adjusted for the risk being hedged accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

(ii) Cash flow hedge

When a derivative is designated as the hedging instrument in a cash flow hedge relationship, the effective portion of changes in the fair value of the derivatives is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated statement of profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative changes in the fair value of the hedged item, determined on a present value basis, from inception of the hedge. The amount recognised in the hedging reserve under OCI is reclassified to consolidated statement of profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss and in the same line in the consolidated statement of profit or loss and OCI.

If the hedging derivative expires, is sold, terminated or exercised or the hedge no longer meets the criteria for cash flow hedge accounting the hedge or the hedge designation is revoked, then the hedge accounting is discontinued prospectively. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to consolidated statement of profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight line basis.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(y) Hedge accounting (continued)

(iii) Net investments hedges

A foreign currency exposure arises from a net investment in branches/subsidiaries that have a different functional currency from that of the Group. The risk arises from the fluctuation in exchange rates between the functional currency of the branches/subsidiaries and the Group's functional currency, which causes the amount of the net investment to vary in the consolidated financial statements of the Group. As this risk may have a significant impact on the Group's consolidated financial statement, the Group assesses this risk case by case and may decide to hedge the exposure.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of the changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. The effective portion of the change in fair value of the hedging instrument is computed with reference to the functional currency of the parent entity against whose functional currency the hedged risk is measured. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in the consolidated statement of profit or loss. The amount recognised under OCI is fully or partially reclassified to consolidated statement of profit or loss as a reclassification adjustment on disposal of the foreign operation or partial disposal of the foreign operation, respectively.

(z) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of time value of money is material, provisions are determined by discounting the expected future cash flow, at a pretax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(aa) End of services and post-employment benefits

The Group provides end-of-service benefits for its employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. With respect to its UAE national employees, the Group makes contributions to the relevant government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity or to a government organisation and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in consolidated statement of profit or loss in the periods during which services are rendered by employees.

Pension and national insurance contributions for eligible employees are made by the Group to Pensions and Benefits Fund in accordance with the applicable laws of country where such contributions are made.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in "staff cost" in consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately to profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(ab) Board of Directors' remuneration

Pursuant to Article 171 of UAE Companies Law no. (32) of 2021, as amended and in accordance with the Bank's Articles of Association, Directors shall be entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and reserves.

(ac) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of convertible notes and share options granted to staff.

(ad) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer, being the chief operating decision maker, making decisions about resources to be allocated to the segment and assessing its performance for which discrete financial information is available. Segment results that are reported to the Group Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis.

(ae) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price.

The Group recognises the right of use asset and lease liability at the lease commencement date. The right of use asset is initially measured at cost less any accumulated depreciation and impairment losses if any, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

Notes to the consolidated financial statements

For the year ended 31 December 2025

6 Material accounting policies (continued)

(ae) Leases (continued)

(i) Group acting as a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero. The Group presents right of use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

(ii) Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

At the commencement date of a finance lease, as a lessor, the Group recognises assets held under a finance lease in its consolidated statement of financial position and presents them as receivable at an amount equal to the net investment in the lease.

At the commencement of an operating lease, as a lessor, the Group recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies on another systematic basis if that basis is more representative of the pattern in which the benefit from the use of the underlying asset is diminished.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(af) Guarantees, letter of credit and loan commitment

To meet the financial needs of the customers, the Group issues guarantee, letter of credit and loan commitments.

Guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the loss allowance; and
- the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Guarantees are reviewed periodically to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on loans, advances and Islamic financing. If a specific provision is required for guarantees, the related unearned commissions recognised under other liabilities in the consolidated balance sheet are reclassified to the appropriate provision.

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Loan commitments are irrevocable commitments to provide credit under prespecified terms and conditions.

Similar to financial guarantee contracts, undrawn loan commitments and letters of credits contracts are in the scope of ECL requirements.

Notes to the consolidated financial statements

For the year ended 31 December 2025

7 Use of estimates and judgements

The preparation of Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results may differ from these estimates.

In applying the Group's accounting policies, IFRS Accounting Standards require management to select suitable accounting policies, apply them consistently and make judgements, estimates and assumptions that are reasonable and prudent and would result in relevant and reliable information. Management, based on guidance in IFRS Accounting Standards and the IASB's framework for the preparation and presentation of financial statements has made these estimates, judgements and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectation of future events that may have a financial impact on the Group and considered to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Listed below are those estimates and judgements which could have a significant effect on the amounts recognised in the consolidated financial statements.

(a) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has resources to continue in business for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of the existing and anticipated effects of the current macroeconomic and geopolitical uncertainties and their potential impacts on the profitability, capital and liquidity of the Group. In making this assessment, the Group has also considered the impact of climate related matters on their going concern assessment.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on going concern basis.

(b) Impairment charge on financial assets

Impairment losses are evaluated as described in accounting policy 6(a)(vii).

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires assumptions, in particular, in the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes which can result in different levels of allowances. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's financial assets is disclosed in note 47 (a).

The Group's ECL calculations are outputs of multiple models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of impacts between economic inputs, such as oil prices, gross domestic product and collateral values etc. on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. The Group is currently in process for assessing the impact of climate risk in the Group's risk models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. The Group performs a sensitivity analysis on the ECL recognised on material class of its assets. Group's financial risk management note includes an element of judgement and estimation in note 47 (a).

Notes to the consolidated financial statements

For the year ended 31 December 2025

7 Use of estimates and judgements (continued)

(c) Contingent liability arising from litigation

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

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case, no provision is made where the probability of outflow is considered to be remote, or possible, or a reliable estimate cannot be made. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group 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.

(d) Valuation 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 valuation techniques of financial instruments require a degree of judgement for certain unobservable inputs to be estimated by management. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments.

These are discussed in detail in note 6 (a)(vi) & note 46.

(e) Financial asset and liability classification

The Group's accounting policies provide scope for the classification and assessment of the business model for financial assets and liabilities to be designated on inception into different accounting categories. The classification criteria are mentioned in policy note 6 (a)(ii).

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(f) Assessment whether cash flows are SPPI for certain Islamic financing assets

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement for certain Islamic financing assets. Management has assessed the features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. Management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

(g) Hedge accounting

The Group has designated hedge relationships as both fair value and cash flow hedges. The Bank's hedge accounting policy includes an element of judgement and estimation. Estimates of future interest rates and the general economic environment will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships. Group's hedge accounting policies include an element of judgement and estimation in note 6 (y).

Notes to the consolidated financial statements

For the year ended 31 December 2025

7 Use of estimates and judgements (continued)

(h) Goodwill impairment testing

Goodwill is tested for impairment annually, and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The impairment assessment involves estimating the recoverable amount of the cash-generating units to which goodwill is allocated, using assumptions such as future cash flows, discount rates, and growth projections.

The Group estimates that reasonably possible changes in the assumptions used for the impairment would not cause the recoverable amount of either CGU to decline below the carrying amount. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the Group consolidated statement of profit or loss statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group or units) on a pro rata basis.

The Group applied a discounted cash flow (DCF) model incorporating five years of projected cash flow. A terminal value was derived using a long-term growth rate aligned with the GDP growth rate of the country in which the CGU operates. Budgeted profit and loss figures were based on expected future outcomes, considering historical performance and anticipated revenue growth. These assumptions are subject to change as economic and market conditions evolve.

Key Assumptions

- Cash Flow Projections: Based on historical performance and management's expectations of market conditions.
- Discount Rate: Reflects current market assessments of the time value of money and risks specific to the CGU (pre-tax weighted average cost of capital).
- Terminal Growth Rate: Applied beyond the forecast period to estimate future cash flows.

Sensitivity Analysis

Management performs sensitivity analysis on key assumptions, including discount rates and growth rates, to assess the impact of reasonably possible changes.

(i) Effect of climate risk on accounting judgments and estimates

Where appropriate, the Bank considers climate related matters in its estimates and assumptions, which may increase their inherent level of uncertainty. The Group makes use of reasonable and supportable information to make accounting judgments and estimates, this includes information about the observable effects of the physical and transition risks of climate change. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant developments.

(j) Tax

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made (refer note 37).

(k) Investment properties

The fair value of investment properties is determined by using valuation techniques. The Group engaged an independent valuation specialist to assess fair value. For further details of the judgments and assumptions made (note 16).

Notes to the consolidated financial statements

For the year ended 31 December 2025

7 Use of estimates and judgements (continued)

(l) Structured entities

The Group's accounting policies provide scope for the classification and consolidation of structured entities in policy note 5 (iii). For all funds managed by the Group, the investors are able to vote by simple majority to remove the Group as fund manager, and the Group's aggregate economic interest in each fund is not material. As a result, the Group has concluded that it acts as an agent for the investors in these funds and therefore has not consolidated these funds.

(m) Effective Interest Rate (EIR) method

The Group uses EIR method which recognises interest income using a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability along with recognising the impact of transaction costs and fees and points paid or received that are an integral part of the effective interest rate. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

(n) Classification of Tier 1 notes

The Bank issued Additional Tier 1 (AT1) capital securities and classified them as equity under IAS 32.

The classification of these instruments as equity involves judgement in interpreting contractual clauses relating to events of default, subordination, no maturity, discretionary payments and the write-down mechanism. The Group, after factoring above clauses, have assessed the classification for determining the debt or equity instrument.

Notes to the consolidated financial statements

For the year ended 31 December 2025

8 Cash and balances with central banks

	31 Dec 2025 AED million	31 Dec 2024 AED million
Cash on hand	2,443	2,128
Central Bank of the UAE		
cash reserve deposits	7,386	68,961
other balances	65,000	10,000
Balances with other central banks	193,804	133,459
Gross cash and balances with central banks	268,633	214,548
Less: expected credit loss	(136)	(144)
Total cash and balances with central banks	268,497	214,404

As per the CBUAE regulations, the Bank is allowed to draw their balances held in the UAE reserve account, while ensuring that they meet the reserve requirements over a 14-day period. Balances with other central banks include mandatory reserves which are available for day-to-day operations under certain specified conditions.

9 Investments at fair value through profit or loss

	31 Dec 2025 AED million	31 Dec 2024 AED million
Investments in managed funds ¹	1	1
Investment in private equities / funds ¹	7,263	3,601
Investments in equities and certificates	1,298	2,226
Debt securities	65,545	50,200
Total investments at fair value through profit or loss	74,107	56,028

Included in the above are sukuk investments as at 31 December 2025 amounting to AED 1,977 million (31 December 2024: AED 2,837 million).

¹The Group has assessed its investments in funds and concluded that it does not exercise significant influence over them.

10 Due from banks and financial institutions

	31 Dec 2025 AED million	31 Dec 2024 AED million
Current, call and notice deposits	4,298	2,464
Margin deposits	15,454	14,937
Fixed deposits	5,910	6,373
Gross due from banks and financial institutions	25,662	23,774
Less: expected credit loss	(49)	(50)
Total due from banks and financial institutions	25,613	23,724

11 Reverse repurchase agreements

The Group enters into reverse repurchase agreements in the normal course of business in which the third-party transfers financial assets to the Group for short-term financing.

	31 Dec 2025 AED million	31 Dec 2024 AED million
Reverse repurchase with banks and others	86,093	69,755
Reverse repurchase with central banks	3,306	-
Reverse repurchase with customers	4,664	-
Gross reverse repurchase agreements	94,063	69,755
Less: expected credit loss	(76)	(94)
Total reverse repurchase agreements	93,987	69,661

At 31 December 2025, the fair value of financial assets accepted as collateral that the Group is permitted to sell or re-pledge in the absence of default is AED 107,623 million (31 December 2024: AED 114,374 million).

At 31 December 2025, the fair value of financial assets accepted as collateral that have been sold or re-pledged was AED 19,875 million (31 December 2024: AED 6,907 million). The Group is obliged to return equivalent securities. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

Notes to the consolidated financial statements

For the year ended 31 December 2025

12 Loans, advances and Islamic financing

	31 Dec 2025 AED million	31 Dec 2024 AED million
Gross loans, advances and Islamic financing	632,724	550,513
Less: interest in suspense	(7,043)	(7,827)
Less: expected credit loss	(9,356)	(13,789)
Net loans, advances and Islamic financing	616,325	528,897

	31 Dec 2025 AED million	31 Dec 2024 AED million
By counterparty:		
Government sector	101,363	72,830
Public sector	81,855	81,027
Banking sector	21,780	17,993
Corporate / private sector	334,016	294,255
Personal / retail sector	93,710	84,408
Gross loans, advances and Islamic financing	632,724	550,513

	31 Dec 2025 AED million	31 Dec 2024 AED million
By product:		
Overdrafts	26,011	19,470
Term loans	495,236	443,286
Trade related loans	73,824	50,488
Personal loans	29,670	30,075
Credit cards	5,752	5,478
Vehicle financing loans	2,231	1,716
Gross loans, advances and Islamic financing	632,724	550,513

The Group provides lending against investment in equity securities and funds. The Group is authorised to liquidate these instruments if their coverage falls below the agreed threshold. At 31 December 2025, the carrying value of such lending is AED 74,485 million (31 December 2024: AED 78,215 million) and the fair value of instruments held as collateral against such loans is AED 221,092 million (31 December 2024: AED 200,672 million). During the year, the Group has liquidated an insignificant amount of collateral due to fall in the coverage ratio.

Included in the above loans, advances and Islamic financing are the following Islamic financing contracts:

Islamic financing contracts

	31 Dec 2025 AED million	31 Dec 2024 AED million
Murabaha	34,477	26,308
Ijara	18,584	15,731
Others	715	567
Gross Islamic financing contracts	53,776	42,606
Less: suspended profit	(198)	(164)
Less: expected credit loss	(1,679)	(1,827)
Total Islamic financing contracts	51,899	40,615

Notes to the consolidated financial statements

For the year ended 31 December 2025

13 Non-trading investment securities

	31 Dec 2025 AED million	31 Dec 2024 AED million
Fair value through other comprehensive income (FVOCI):		
- with recycle to profit or loss (Debt investments securities)	177,886	177,922
- without recycle to profit or loss (Equity investments securities ¹)	6,484	5,495
Amortised cost securities	5,344	4,030
Gross non-trading investment securities	189,714	187,447
Less: expected credit loss on amortised cost securities	(2)	(1)
Total non-trading investment securities	189,712	187,446

¹Equity investments securities measured at FVOCI are strategic investments for long-term purposes. During the year, certain investments were disposed of in line with the strategic initiatives of the Group.

An analysis of non-trading investments securities by class at the reporting date is shown below:

	31 Dec 2025 AED million			31 Dec 2024 AED million		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investment securities	6,265	219	6,484	1,187	4,308	5,495
Debt investment securities	181,892	1,338	183,230	181,032	920	181,952
Gross non-trading investment securities	188,157	1,557	189,714	182,219	5,228	187,447
Less: expected credit loss on amortised cost securities	(2)	-	(2)	(1)	-	(1)
Total non-trading investment securities	188,155	1,557	189,712	182,218	5,228	187,446

Included in the above are sukuk investments as at 31 December 2025 amounting to AED 10,209 million (31 December 2024: AED 8,864 million).

Debt investments securities given under repurchase agreements included in non-trading investment securities as at 31 December 2025 amounted to AED 33,538 million (31 December 2024: AED 25,660 million).

As at 31 December 2025, the fair value of non-trading investment securities measured at amortised cost amounted to AED 5,255 million (31 December 2024: AED 3,867 million).

Notes to the consolidated financial statements

For the year ended 31 December 2025

14 Other assets

	31 Dec 2025 AED million	31 Dec 2024 AED million
Interest receivable	39,235	31,854
Acceptances	11,771	12,633
Sundry debtors and other receivables	5,721	4,797
Deferred tax asset	161	423
Gross other assets	56,888	49,707
Less: expected credit loss	(326)	(267)
Net other assets	56,562	49,440

The Group does not perceive any significant credit risk on interest receivable and acceptances.

Acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. After acceptance, the instrument becomes an unconditional liability of the Group and is therefore recognised as a financial liability in the consolidated statement of financial position (refer note 22). However, every acceptance has a corresponding contractual right of reimbursement from the customer which is recognised as a financial asset.

15 Investment in associates

	31 Dec 2025 AED million	31 Dec 2024 AED million
Investment in associates	5,297	4,963
Total investment in associates*	5,297	4,963

On 9 June 2023, FAB had entered into an agreement with affiliates of Brookfield Asset Management ("Brookfield"), together with other co-investors, for the acquisition by BCP VI Neptune Bidco Holdings Limited of Network International Holdings Plc ("Network") for AED 10.3 billion (GBP 2.2 billion). Pursuant to effectiveness of the Scheme of Arrangement (under Part 26 of the UK Companies Act 2006), on 17 September 2024, FAB alongside Brookfield and other co-investors has acquired 100% of the share capital of Network (the "Network International Acquisition") through BCP VI Neptune Bidco Holdings Limited.

Additionally, FAB has entered into an agreement with Brookfield and other co-investors to transfer its investment in BCP Growth Holdings Limited in exchange for a convertible loan instrument into an equity investment in NPH1, due to which FAB holds an effective holding of c.34% in NPH1. Accordingly, the shareholding in NPH1 has been recognised as an investment in associate during the previous year.

*The underlying liabilities of the associates amount to less than 1% of the Group's total liabilities.

Notes to the consolidated financial statements

For the year ended 31 December 2025

16 Investment properties

	31 Dec 2025 AED million	31 Dec 2024 AED million
As at the beginning of year	8,169	8,162
Additions	593	8
Disposals and other movements	(981)	(2)
Fair value adjustment	153	1
As at the year end	7,934	8,169

The fair value of the investment properties is based on the valuations performed by third party valuers as at 31 December 2025 and 31 December 2024. These all are level 3 under the fair value hierarchy.

Amounts recognised in the consolidated statement of profit or loss in respect of net rental income of investment properties are as follows:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Rental income derived from investment properties	233	212
Operating expenses	(61)	(61)
Net rental income from investment properties	172	151

Investment properties are stated at fair value which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under prevailing market conditions at the measurement date.

The Group's investment properties consist of land and buildings in Abu Dhabi and Dubai. Management determined that these investment properties consist of two classes of commercial and retail assets, based on the nature, characteristics and risks of each property.

The valuers are accredited with recognised and relevant professional qualifications and with recent experience in the location and category of investment properties being valued. The fair values have been determined based on varying valuation models depending on the intended use of the investment properties; in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards.

Description of valuation techniques used and key inputs to valuation on investment properties as at 31 December 2025 and 2024:

Type	31 Dec 2025 AED million	Valuation technique	Significant unobservable inputs	Inter relationship between key unobservable inputs
Buildings	5,159	Comparable and residual method Sales comparison method	Comparable transactions Current market price of similar assets	Not applicable
Land	2,775	Comparable and residual method	Cost of construction Developer's profit Financing cost	Not applicable

Notes to the consolidated financial statements

For the year ended 31 December 2025

17 Intangibles

	Goodwill AED million	Customer relationships AED million	Core deposits AED million	License AED million	Brand AED million	Total AED million
Cost						
As at 1 January 2024	18,693	1,778	704	369	22	21,566
Additions	-	-	-	-	-	-
As at 31 December 2024	18,693	1,778	704	369	22	21,566
As at 1 January 2025	18,693	1,778	704	369	22	21,566
Additions	-	-	-	-	-	-
As at 31 December 2025	18,693	1,778	704	369	22	21,566
Accumulated amortisation						
As at 1 January 2024	-	1,058	361	-	12	1,431
Charge for the year	-	137	58	-	1	196
As at 31 December 2024	-	1,195	419	-	13	1,627
As at 1 January 2025	-	1,195	419	-	13	1,627
Charge for the year	-	138	58	-	1	197
As at 31 December 2025	-	1,333	477	-	14	1,824
Carrying amounts						
At 31 December 2024	18,693	583	285	369	9	19,939
At 31 December 2025	18,693	445	227	369	8	19,742

Testing goodwill for impairment involves significant amount of judgment. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. In a goodwill impairment test, the recoverable amounts of the goodwill carrying CGUs are compared with the respective carrying amounts. The recoverable amount is the higher of a CGUs fair value less costs of disposal and its value in use.

For the purposes of impairment testing, goodwill is allocated to the Group's independent CGUs which are Wholesale Banking - AED 6,009 million, Personal, Business, Wealth, & Privileged Client Banking Group – AED 4,975 million, Investment Banking & Markets - AED 6,386 million and FAB Egypt operation – AED 1,323 million (FAB Misr).

The recoverable amount for the CGUs has been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs, assets and their ultimate disposal at a discount rate of ~9.1% p.a. and a terminal growth rate ranging from 5% to 7% p.a. based on the CGU earning growth.

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of above CGUs to decline below the carrying amount. The recoverable amount of the CGUs has been determined based on a value in use calculation, using cash flow projections covering a five-year period and by applying a terminal growth rate thereafter. The forecast cash flows have been discounted using the Weighted Average Cost of Capital.

The calculation of value in use in the CGUs is most sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share during the projection period;
- Projected growth rates used to extrapolate cash flows beyond the projection period;
- Current local Gross Domestic Product ("GDP"); and
- Local inflation rates.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. No impairment losses were recognised during the year ended 31 December 2025 (31 December 2024: nil) because the recoverable amounts of the CGU's were determined to be higher than their carrying amounts.

Notes to the consolidated financial statements

For the year ended 31 December 2025

18 Due to banks and financial institutions

	31 Dec 2025 AED million	31 Dec 2024 AED million
Due to Banks and financial institutions		
Current, call and notice deposits	8,922	5,933
Margin deposits	12,870	14,893
Fixed deposits	20,434	15,898
	42,226	36,724
Due to Central banks		
Current and call deposits	7,008	245
Fixed and certificate of deposits	88,567	34,927
	95,575	35,172
Total due to banks and financial institutions	137,801	71,896

Due to banks and financial institutions are denominated in various currencies and carry a rate of interest in the range of 0.02% p.a. to 5.67% p.a. (31 December 2024: 0.02 % p.a.to 5.54 % p.a.).

19 Repurchase agreements

The Group enters into repurchase agreements in the normal course of business by which it transfers recognised financial assets directly to third parties.

	31 Dec 2025 AED million	31 Dec 2024 AED million
Repurchase agreements with banks / financial institutions	52,190	32,329
Total repurchase agreements	52,190	32,329

The carrying value that is also the fair value of financial assets collateralised as at 31 December 2025 amounted to AED 33,538 million (31 December 2024: AED 25,660 million) and their associated financial liabilities amounted to AED 52,190 million (31 December 2024: AED 32,329 million). The net difference between the fair value of the financial assets collateralised and the carrying value of the repurchase agreement as at 31 December 2025 is AED 18,652 million (31 December 2024: AED 6,669 million) which represents pledged financial assets received as collateral against reverse repurchase agreements or through security borrowing arrangement from custodian.

20 Commercial paper

The Bank has a Euro Commercial Paper programme with a limit of USD 3.5 billion and a US Dollar Commercial Paper programme with a limit of USD 10 billion.

The notes outstanding as at 31 December 2025 amounted to AED 29,939 million (31 December 2024: AED 17,888 million) and have maturity period of less than 12 months.

The Group has not had any defaults of principal, interest or other breaches with respect to its commercial paper programs during the years ended 31 December 2025 and 31 December 2024.

Notes to the consolidated financial statements

For the year ended 31 December 2025

21 Customer accounts and other deposits

By account:

Current accounts
Savings accounts
Margin accounts
Notice and time deposits

Certificates of deposit

Total customer accounts and other deposits

31 Dec 2025 AED million	31 Dec 2024 AED million
343,393	321,176
48,313	38,713
4,258	3,552
408,925	385,034
804,889	748,475
35,884	33,904
840,773	782,379

By counterparty:

Government sector
Public sector
Corporate / private sector
Personal / retail sector

Certificates of deposit

Total customer accounts and other deposits

31 Dec 2025 AED million	31 Dec 2024 AED million
140,935	174,519
117,159	127,808
404,012	318,123
142,783	128,025
804,889	748,475
35,884	33,904
840,773	782,379

By location:

UAE
Europe
Arab countries
Americas
Asia
Others

Certificates of deposit

Total customer accounts and other deposits

31 Dec 2025 AED million	31 Dec 2024 AED million
571,669	562,120
96,712	81,882
50,856	45,209
42,049	36,593
34,523	18,712
9,080	3,959
804,889	748,475
35,884	33,904
840,773	782,379

Islamic customer deposits

Included in the above customer accounts and other deposits are the following Islamic customer deposits:

Wakala deposits
Mudaraba saving deposits
Current account
Murabaha deposits
Margin deposits
Mudaraba term deposits
Total Islamic customer deposits

31 Dec 2025 AED million	31 Dec 2024 AED million
12,016	9,037
8,230	5,389
3,483	2,638
929	686
82	82
50	52
24,790	17,884

Notes to the consolidated financial statements

For the year ended 31 December 2025

22 Other liabilities

	31 Dec 2025 AED million	31 Dec 2024 AED million
Interest payable	33,038	26,771
Acceptances	4,807	6,034
Provision employees' end of service benefits	422	395
Accounts payable, sundry creditors and other liabilities	23,996	17,170
Income tax	3,140	2,103
Total other liabilities	65,403	52,473

Employees end of service benefits

Defined benefit obligations

The Group provides end-of-service benefits for its eligible employees. An actuarial valuation has been carried out as at 31 December 2025 to ascertain present value of the defined benefit obligation. A registered actuary in the UAE was appointed to evaluate the same. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

The following key assumptions (weighted average rates) were used to value the liabilities:

	31 Dec 2025	31 Dec 2024
Discount rate	5.85% per annum	5.80% per annum
Salary increase rate	3.1% per annum	2.96% per annum

Demographic assumptions for mortality, withdrawal and retirement were used in valuing the liabilities and benefits under the plan. Because of the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used.

A shift in the discount rate assumption by +/- 50 basis points would impact the liability as at 31 December 2025 by AED 10 million (31 December 2024: AED 8 million) and AED 9 million (31 December 2024: AED 9 million) respectively. Similarly, a shift in the salary increment rate assumption by +/- 50 basis points would impact the liability as at 31 December 2025 by AED 9 million (31 December 2024: AED 9 million) and AED 10 million (31 December 2024: AED 9 million) respectively.

The movement in the employees' end of service obligation was as follows:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Balance at the beginning of year	395	379
Net charge during the year	66	59
Remeasurement losses in OCI	5	13
Paid during the year and other adjustments	(44)	(56)
Balance at the end of year	422	395

Defined contribution plan

The Group pays contributions for its eligible employees which are treated as defined contribution plans. The charge for the year ended 31 December 2025 in respect of these contributions is AED 142 million (31 December 2024: AED 129 million). As at 31 December 2025, pension payable of AED 15 million (31 December 2024: AED 16 million) has been classified under other liabilities.

Notes to the consolidated financial statements

For the year ended 31 December 2025

22 Other liabilities (continued)

Income tax

The Group has provided for income tax in accordance with management's estimate of the total amount payable based on tax rates enacted or substantively enacted as at the reporting date. Where appropriate, the Group has made payments of tax on account in respect of these estimated liabilities.

The income tax charge for the year is calculated based upon the adjusted net profit for the year. The movement in the provision was as follows:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Balance at the beginning of year	2,103	595
Charge for the year	4,011	2,818
Income tax paid, net of recoveries	(2,966)	(1,446)
Other movements	(8)	136
Balance at the end of year	3,140	2,103

UAE Corporate Tax Law

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime has become effective for the Group from 1 January 2024. A rate of 9% is applicable to taxable income exceeding AED 375,000 based on the Cabinet Decision 116 of 2022.

Current tax is measured based on the amount expected to be paid to, or recovered from, the tax authorities using the tax rates and regulations that have been enacted, or substantively enacted, by the end of the reporting period. The Group has recognised current tax in its financial statements beginning 1 January 2024.

Deferred tax is measured using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date, and which are expected to apply when the related assets are realised or liabilities are settled. The Group has assessed the application of IAS 12, including the requirements for the recognition and measurement of deferred tax, for the year ended 31 December 2025.

Pillar 2 disclosure

The Group's consolidated financial statements reflect the application of UAE Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("the Law"), enacted in 2023. Under this Law, taxable profits exceeding AED 375,000 are subject to a 9% corporate tax rate. The Group has determined its tax position based on its current interpretation of the Law and the related Regulations.

As the Group operates across multiple jurisdictions, it falls within the scope of the OECD's Global Anti-Base Erosion ("GloBE") Pillar Two Model Rules in several of these territories. On 8 February 2025, the UAE Ministry of Finance issued detailed guidance on the implementation of the Domestic Minimum Top-up Tax ("DMTT") for multinational enterprises ("MNEs"), pursuant to Federal Decree-Law No. 60 of 2023 and Cabinet Decision No. 142 of 2024. These provisions introduce a 15% Global Minimum Tax effective from 1 January 2025, aligned with the OECD Inclusive Framework. On 25 August 2025, the OECD provided the UAE's DMTT "Transitional Qualified Status" by listing it on the OECD's Central Record of Legislation. The UAE legislation does not implement the Income Inclusion Rule ("IIR") or the Under-Taxed Profits Rule ("UTPR").

The Group has assessed the impact of these requirements by considering several factors, including transitional safe-harbour rules, recently filed tax returns, country-by-country reporting, and the financial information of its constituent entities. For jurisdictions that have enacted either a global minimum top-up tax, a domestic minimum top-up tax, or both, the resulting impacts have been recognised within the Group's income tax expense.

The Group continues to apply the mandatory temporary exception from recognising and disclosing deferred tax assets and liabilities arising from the application of the Pillar Two Model Rules, in accordance with the amendments to IAS 12, International Tax Reform – Pillar Two Model Rules.

Notes to the consolidated financial statements

For the year ended 31 December 2025

23 Term borrowings

	31 Dec 2025 AED million	31 Dec 2024 AED million
Amortised cost	74,189	64,106
Fair value through profit or loss	1,119	682
Total term borrowings	75,308	64,788

During the year, the Bank has issued various fixed and floating rate notes. The movement of term borrowings during the year is below:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Beginning of the year	64,788	63,939
New issuances	19,053	14,648
Repayments	(10,815)	(12,461)
Fair valuations, exchange movements and other adjustments	2,282	(1,338)
End of the year	75,308	64,788

Notes to the consolidated financial statements

For the year ended 31 December 2025

23 Term borrowings (continued)

Currency	Interest (range)	31 Dec 2025						31 Dec 2024					
		Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Total AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Total AED million
USD	Fixed rate of up to 6.66% p.a.	2,400	218	10,765	11,316	9,756	34,455	3,356	126	6,864	12,885	7,332	30,563
USD	USD SOFR QRT OB SHIFT - 5BD + up to 4.773% p.a.	1,249	213	3,870	13,804	312	19,448	129	606	4,172	8,101	-	13,008
EUR	Fixed rate of 0.125% to 3.12% p.a.	3,226	-	2,116	62	3,847	9,251	-	378	4,599	46	156	5,179
CHF	Fixed rate of 0.078% to 1.072% p.a.	-	1,852	1,877	-	-	3,729	-	604	3,243	-	-	3,847
GBP	Fixed rate of 0.875% to 2.205% p.a.	-	1,207	-	90	124	1,421	-	1,885	1,072	79	-	3,036
CNH	Fixed rate of 2.07% to 4.05% p.a.	1,182	241	390	435	79	2,327	69	3,298	1,398	-	-	4,765
HKD	Fixed rate of 1.435% to 3.94% p.a.	77	182	733	185	586	1,763	-	825	432	-	-	1,257
AED	Fixed rate of 4.00% to 6.00% p.a.	-	1,354	4	-	-	1,358	-	-	1,396	6	-	1,402
AUD	3-month AUD BBSW + up to 4.459% p.a.	-	373	-	74	-	447	797	68	345	68	-	1,278
SGD	Fixed rate of 2% p.a.	-	-	429	-	-	429	-	-	-	-	-	-
JPY	Fixed rate of 2.60% p.a.	-	232	-	-	-	232	-	-	228	-	-	228
AUD	Fixed rate of 1.87% p.a.	-	156	-	-	-	156	-	-	140	-	-	140
NZD	Fixed rate of 5.5% p.a.	-	-	77	-	-	77	-	-	-	75	-	75
EGP	Fixed rate of up to 20.92% p.a.	-	196	-	-	-	196	-	-	-	-	-	-
MXN	Fixed rate of 0.50% p.a.	-	-	14	-	-	14	-	-	-	10	-	10
TRY	Fixed rate of up to 44.6% p.a.	5	-	-	-	-	5	-	-	-	-	-	-
Total term borrowings		8,139	6,224	20,275	25,966	14,704	75,308	4,351	7,790	23,889	21,270	7,488	64,788

Included in the above are sukuk borrowings as at 31 December 2025 amounting to AED 14,274 million (31 December 2024: 13,654 million).

Notes to the consolidated financial statements

For the year ended 31 December 2025

23 Term borrowings (continued)

During the year, the Group has issued various fixed and floating rate notes. The nominal value of the notes issued during the year is stated below:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Fixed rate		
GBP	124	-
CNH	854	444
EUR	3,681	46
USD	5,485	6,387
HKD	1,318	-
SGD	429	-
Floating rate		
USD	7,176	7,749
	19,067	14,626

The Group has hedged the interest rate and foreign currency exposure on term borrowings. The nominal value hedged as at 31 December 2025 is AED 61 billion (31 December 2024: AED 58 billion) and the risks being hedged have a net positive fair value of AED 6,164 million as at 31 December 2025 (31 December 2024: net positive fair value of AED 6,599 million). The Group has not had any defaults of principal, interest, or other breaches with respect to its term borrowings during the year ended 31 December 2025 and 31 December 2024.

24 Subordinated notes

Date of issue	Currency	Interest rate	Maturity date	31 Dec 2025 AED million	31 Dec 2024 AED million
10 December 2012	MYR	Fixed rate of 4.75% p.a.	9 December 2027	445	399
4 October 2023	USD	Fixed rate of 6.32% p.a. until 4 April 2029 and if not called, then from 4 April 2029 to the maturity date, the prevailing 5-Year US Treasury rate + 1.70% p.a.	4 April 2034	3,773	3,715
16 July 2024	USD	Fixed rate of 5.804% p.a. until 16 January 2030 and if not called, then from 16 January 2030 to the maturity date, the prevailing 5-Year US Treasury rate + 1.55% p.a.	16 January 2035	2,799	2,747
Total subordinated notes				7,017	6,861

The Bank has hedged the interest rate and foreign currency exposure on the subordinated notes. The Bank has not had any defaults of principal, interest, or other breaches with respect to its subordinated notes during the year ended 31 December 2025 and 31 December 2024.

25 Capital and reserves

Share capital

	31 Dec 2025 AED million	31 Dec 2024 AED million
Authorised share capital	11,048	11,048
Ordinary shares of AED 1 each	11,048	11,048

Statutory and special reserves

In accordance with the Bank's Articles of Association and as required by Article 241 of UAE Companies Law No. (32) of 2021, as amended, a minimum of 10 % of the annual net profit should be transferred to both statutory and special reserve until each of these reserves equal to 50% of the paid-up share capital. The statutory and special reserve are not available for distribution to the shareholders. No transfers were made during the year because statutory and special reserve are equal to 50% of the paid-up share capital.

Notes to the consolidated financial statements

For the year ended 31 December 2025

25 Capital and reserves (continued)

Dividends

	31 Dec 2025 AED million	31 Dec 2024 AED million
Dividend on ordinary shares paid during the year	8,315	7,822

At the Annual General Meeting (AGM) held on 11 March 2025, the shareholders of the Bank approved a cash dividend of AED 0.75 per ordinary share amounting to AED 8,286 million (31 December 2023: cash dividend of AED 0.71 per ordinary share amounting to AED 7,844 million).

Other reserves

	Fair value reserve AED million	General reserve AED million	Foreign currency translation reserve AED million	Impairment reserve - specific AED million	Impairment reserve – collective AED million	Total AED million
As at 1 January 2025	(2,299)	278	(4,844)	-	2,868	(3,997)
Other comprehensive loss for the year	(68)	-	281	-	-	213
Impairment reserve movement	-	-	-	-	1,427	1,427
Realised loss on sale of FVOCI investment	2,521	-	-	-	-	2,521
As at 31 December 2025	154	278	(4,563)	-	4,295	164
As at 1 January 2024	(1,185)	228	(2,925)	1,222	2,868	208
Other comprehensive income loss for the year	(1,139)	-	(1,919)	-	-	(3,058)
Transfer during the year	-	50	-	-	-	50
Impairment reserve movement ¹	-	-	-	(1,222)	-	(1,222)
Realised loss on sale of FVOCI investment	25	-	-	-	-	25
As at 31 December 2024	(2,299)	278	(4,844)	-	2,868	(3,997)

¹During the previous year, in accordance with the new Credit Risk Management Standards ('CRMS') issued by CBUAE, specific provision was appropriated to retained earnings.

(i) Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities measured at FVOCI;
- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance; and
- cash flow hedge reserves.

	Revaluation reserve – instruments at FVOCI AED million	Hedging reserve – cash flow hedge AED million	Total AED million
As at 1 January 2025	(1,571)	(728)	(2,299)
Net unrealised fair value changes	(135)	743	608
Realised gain on sale of FVOCI instruments recycled through profit or loss	(610)	-	(610)
Realised loss on sale of FVOCI instruments recycled through equity	2,521	-	2,521
Impact of ECL	(66)	-	(66)
As at 31 December 2025	139	15	154
As at 1 January 2024	(882)	(303)	(1,185)
Net unrealised fair value changes	(894)	(425)	(1,319)
Realised loss on sale of FVOCI instruments recycled through profit or loss	150	-	150
Realised loss on sale of FVOCI instruments recycled through equity	25	-	25
Impact of ECL	30	-	30
As at 31 December 2024	(1,571)	(728)	(2,299)

Notes to the consolidated financial statements

For the year ended 31 December 2025

25 Capital and reserves (continued)

(i) Fair value reserve (continued)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions. During the year, there has been no significant transfer from cash flow hedge reserve to profit or loss.

(ii) General reserve

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors.

(iii) Foreign currency translation reserve ("FCTR")

FCTR represents the exchange differences arising from translation of the net investment in foreign operations.

(iv) Impairment reserve

As per 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.

	31 Dec 2025 AED million	31 Dec 2024 AED million
Non distributable impairment reserve – General		
Minimum provision for Stage 1 and 2 as per CBUAE requirements	9,603	8,360
Less: Stage 1 and 2 impairment provision taken against income	(5,640)	(5,539)
Shortfall in stage 1 and 2 provision to meet minimum CBUAE requirements	3,963	2,821
Balance of impairment reserve - general as at 1 January	2,868	2,868
Add: Non distributable reserve during the year (Impairment reserve-general)	1,427	-
Balance of impairment reserve - general as at 31 December	4,295	2,868

The calculation process, the methodology and the results for provisions have been reviewed and approved by the Group Risk Committee ("GRC") responsible for the oversight of provisions. Accordingly, the GRC has formally reviewed as presented by the Chief Risk Officer ("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, as per Article 9 (Standards) of the Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024.

Notes to the consolidated financial statements

For the year ended 31 December 2025

26 Tier 1 capital notes

Issuance	Currency	Interest rate	31 Dec 2025 AED million	31 Dec 2024 AED million
Government of Abu Dhabi Tier 1 capital notes	AED	Floating interest of 6-month EIBOR plus 2.3% p.a.	8,000	8,000
USD 750 million Tier 1 capital notes	USD	Fixed rate of 4.50% p.a., thereafter, reset on the first date and every sixth anniversary; thereafter on the basis of the aggregate of the margin and the relevant six year reset on the relevant U.S. Securities determination date	2,755	2,755
USD 1 billion Tier 1 capital notes	USD	Fixed rate of 5.875% p.a., thereafter, reset on the first date and every sixth anniversary; thereafter on the basis of the aggregate of the margin and the relevant six year reset on the relevant U.S. Securities determination date	3,673	-
Total Tier 1 capital notes			14,428	10,755

Tier 1 capital notes are perpetual, subordinated, unsecured and carry coupons to be paid semi-annually in arrears. The Bank may elect not to pay a coupon at its own discretion. The note holder does not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default. In addition, there are certain circumstances under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

If the Bank makes a non payment election or a non payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full. During the year, the coupon payment election was made by the Bank amounting to AED 679 million (31 December 2024: AED 743 million).

27 Interest income

Interest from:

Central banks	9,362	13,320
Banks and financial institutions	1,726	1,487
Reverse repurchase agreements	4,407	3,770
Loans and advances (excluding Islamic financing)	31,282	30,958
Non-trading investment securities	9,861	10,039
Total interest income	56,638	59,574

31 Dec 2025 AED million	31 Dec 2024 AED million
9,362	13,320
1,726	1,487
4,407	3,770
31,282	30,958
9,861	10,039
56,638	59,574

28 Interest expense

Interest to:

Banks and financial institutions	4,622	2,946
Repurchase agreements	1,804	1,623
Commercial paper	1,202	1,020
Customer accounts and other deposits (excluding Islamic customers' deposits)	27,115	32,074
Term borrowings	3,613	3,942
Subordinated notes	423	495
Total interest expense	38,779	42,100

31 Dec 2025 AED million	31 Dec 2024 AED million
4,622	2,946
1,804	1,623
1,202	1,020
27,115	32,074
3,613	3,942
423	495
38,779	42,100

29 Income from Islamic financing and investing products

Murabaha	2,458	2,163
Ijara	960	837
Sukuk investments	430	410
Others	95	64
Total income from Islamic financing and investing products	3,943	3,474

31 Dec 2025 AED million	31 Dec 2024 AED million
2,458	2,163
960	837
430	410
95	64
3,943	3,474

Notes to the consolidated financial statements

For the year ended 31 December 2025

30 Distribution on Islamic customers' deposits

	31 Dec 2025 AED million	31 Dec 2024 AED million
Wakala deposits	439	323
Mudaraba saving and term deposits	335	247
Islamic sukuk notes	600	662
Murabaha deposits	86	86
Others	20	18
Total distribution on Islamic customers' deposits	1,480	1,336

The Group maintains an investment risk reserve as at 31 December 2025 of AED 54 million (31 December 2024: AED 39 million) which represents a portion of the depositors' share of profits set aside as a reserve.

31 Net fee and commission income

	31 Dec 2025 AED million	31 Dec 2024 AED million
Fee and commission income:		
Retail and corporate lending	2,788	2,132
Cards and e-services	1,464	1,299
Trade finance	1,258	1,046
Commission on transfers	262	219
Asset management and investment services	199	156
Brokerage income	155	110
Accounts related services	69	71
Collection services	42	56
Others	820	431
Total fee and commission income	7,057	5,520
Fee and commission expense:		
Credit card charges	1,032	919
Consumer and corporate lending	394	335
Brokerage commission	72	68
Trade finance	78	58
Others	664	382
Total fee and commission expense	2,240	1,762
Net fee and commission income	4,817	3,758

32 Net foreign exchange (loss)/gain

	31 Dec 2025 AED million	31 Dec 2024 AED million
Trading and retranslation (loss)/gain on foreign exchange and related derivatives ¹	(3,380)	193
Dealings with customers	1,927	1,639
Total net foreign exchange (loss)/gain	(1,453)	1,832

¹Due to effective hedging strategies, the offsetting impact of hedging instruments is reflected in the net gain on investments and derivatives (note 33).

33 Net gain on investments and derivatives

	31 Dec 2025 AED million	31 Dec 2024 AED million
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	10,565	5,523
Net gain/(loss) from sale of non-trading investment securities	610	(150)
Dividend and other income	378	26
Total net gain on investments and derivatives	11,553	5,399

Notes to the consolidated financial statements

For the year ended 31 December 2025

34 Other operating income

	31 Dec 2025 AED million	31 Dec 2024 AED million
Leasing related income	172	151
Other income	1,264	873
Total other operating income	1,436	1,024

35 General, administration and other operating expenses

	31 Dec 2025 AED million	31 Dec 2024 AED million
Staff costs	4,239	4,032
Information technology expenses	1,553	1,125
Depreciation	735	863
Professional fees	484	549
Amortisation of intangibles	224	224
Communication expenses	223	219
Premises expenses	205	211
Publicity and advertisement	157	137
Sponsorships and donations	136	93
Other general and administration expenses	244	334
Total general, administration and other operating expenses	8,200	7,787

Auditor's remuneration

	31 Dec 2025 AED million	31 Dec 2024 AED million
Audit services	12	12
Audit related services	15	10
Non-audit services	-	1
Total auditor's remuneration	27	23

Audit services

Audit services can be defined as services rendered by the Group's statutory auditor for the audit and review of the financial statements or services that are normally provided by the statutory auditor in connection with statutory and regulatory filings.

Audit related services

Audit related services are services other than 'audit services' for which the auditor of the entity is an appropriate provider particularly where those services are required by law or regulation relating to the jurisdiction and activities of the subject entity.

Non-audit services

Non-audit services are services which do not fall in the above two segments of service and are also not part of prohibited services.

Notes to the consolidated financial statements

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36 Net impairment charge

	31 Dec 2025 AED million	31 Dec 2024 AED million
Impairment charge on		
loans, advances and Islamic financing	3,416	4,430
other financial assets	(34)	(3)
unfunded exposures	171	42
Recoveries	(391)	(726)
Write off of impaired financial assets	113	181
Total net impairment charge	3,275	3,924

37 Income tax expense

In addition to adjustments relating to deferred taxation, the charge for the year is calculated based upon the adjusted net profit for the year at rates of tax applicable in respective overseas locations. The charge to the consolidated statement of profit or loss for the year is as follows:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Corporate income tax	3,026	2,586
Global minimum top-up tax	992	-
Deferred tax (income) / expenses	(7)	232
Total income tax expense	4,011	2,818

Reconciliation of Group's tax on profit based on accounting and profit as per the tax laws is as follows:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Profit before taxation	25,200	19,914
Effect of tax rates	2,682	2,287
Tax effects of:		
- Income not subject to tax	(433)	(105)
- Expenses not deductible for tax purposes	227	154
- Movement in unrecognised deferred tax	15	(11)
- Prior year adjustments	(200)	12
- Withholding tax deducted at source	680	466
- Pillar 2 and qualifying domestic top-up taxes	992	-
- Others	48	15
Total income tax expense	4,011	2,818

38 Cash and cash equivalents

	31 Dec 2025 AED million	31 Dec 2024 AED million
Cash and balances with central banks	268,633	214,548
Due from banks and financial institutions	25,662	23,774
	294,295	238,322
Less: balances with central banks maturing after three months of placement	(24)	(690)
Less: due from banks and financial institutions maturing after three months of placement	(1,567)	(908)
Less: restricted deposits with central banks for regulatory purposes	(1,380)	(896)
Total cash and cash equivalents	291,324	235,828

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of its acquisition.

Notes to the consolidated financial statements

For the year ended 31 December 2025

39 Commitments and contingencies

The Group, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

There were no other significant changes in contingent liabilities and commitments during the year other than those arising out of normal course of business.

	31 Dec 2025 AED million	31 Dec 2024 AED million
Letter of credit	58,542	39,752
Guarantees	165,287	138,198
Trade contingencies	223,829	177,950
Undrawn commitment to extend credit	128,180	78,962
Commitments for future capital expenditure	2,086	1,622
Commitments for future private equity investments	2,304	2,181
Total commitments	132,570	82,765
Total commitments and contingencies	356,399	260,715

Credit risk characteristics of these unfunded facilities closely resemble the funded facilities as described in note 47(a).

Letter of credit and guarantees ("Trade contingencies") commit the Group to make payments on behalf of customers' contingent upon the production of documents or the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to extend loans, advances and Islamic financing and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire without being drawn upon, the total contracted amounts do not necessarily represent future cash requirements.

Concentration by location

	Undrawn loan commitments		Trade contingencies	
	31 Dec 2025 AED million	31 Dec 2024 AED million	31 Dec 2025 AED million	31 Dec 2024 AED million
UAE	89,137	53,022	155,818	122,636
Europe	19,296	9,602	16,855	14,338
Arab countries	2,731	4,208	20,247	17,086
Americas	12,070	6,057	9,578	9,153
Asia	1,614	2,831	20,068	13,975
Others	3,332	3,242	1,263	762
Total concentration	128,180	78,962	223,829	177,950

Concentration by location is based on the residential status of the customers.

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For the year ended 31 December 2025

40 Derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities and equity or other indices. Derivatives enable Group to increase, reduce or alter exposure to specific risks such as interest or credit.

The Group primarily uses the following derivative instruments for trading and risk management purposes.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to their fair values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

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40 Derivative financial instruments (continued)

31 December 2025

	Notional amounts by term to maturity							
	Positive market value	Negative market value	Notional amount	Less than three months	From three months to one year	From one year to three years	From three years to five years	Over five years
	AED million	AED million	AED million	AED million	AED million	AED million	AED million	AED million
Held for trading:								
Interest rate derivatives								
Swaps	28,033	26,617	2,391,073	297,854	425,876	558,234	503,361	605,748
Forwards & Futures	19	13	135,778	68,314	41,517	24,863	1,084	-
Options & Swaptions	333	423	59,529	5,998	12,741	30,271	8,137	2,382
Foreign exchange derivatives								
Forwards	3,447	3,438	536,402	324,025	170,285	35,249	6,411	432
Options	220	210	46,138	26,905	17,749	1,484	-	-
Other derivatives contracts	3,534	6,078	110,443	14,939	36,008	45,365	4,129	10,002
	35,586	36,779	3,279,363	738,035	704,176	695,466	523,122	618,564
Held as fair value hedges:								
Interest rate derivatives								
Swaps	3,871	11,537	547,279	202,781	138,403	56,429	83,921	65,745
	3,871	11,537	547,279	202,781	138,403	56,429	83,921	65,745
Held as cash flow hedges:								
Interest rate derivatives								
Swaps	1,245	232	54,471	1,983	19,577	19,250	9,437	4,224
Foreign exchange derivatives								
Forwards	-	-	367	367	-	-	-	-
	1,245	232	54,838	2,350	19,577	19,250	9,437	4,224
Total	40,702	48,548	3,881,480	943,166	862,156	771,145	616,480	688,533

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For the year ended 31 December 2025

40 Derivative financial instruments (continued)

31 December 2024

	Notional amounts by term to maturity							
	Positive market value	Negative market value	Notional amount	Less than three months	From three months to one year	From one year to three years	From three years to five years	Over five years
	AED million	AED million	AED million	AED million	AED million	AED million	AED million	AED million
Held for trading:								
Interest rate derivatives								
Swaps	33,570	33,528	1,704,727	155,546	280,868	428,415	367,900	471,998
Forwards & Futures	18	20	82,770	45,623	14,722	22,333	92	-
Options & Swaptions	200	341	49,447	1,611	3,741	20,084	18,952	5,059
Foreign exchange derivatives								
Forwards	4,027	4,137	468,399	285,867	146,550	27,006	8,955	21
Options	128	91	21,441	11,368	8,080	1,677	316	-
Other derivatives contracts	1,715	3,345	93,930	9,564	36,192	32,781	13,943	1,450
	39,658	41,462	2,420,714	509,579	490,153	532,296	410,158	478,528
Held as fair value hedges:								
Interest rate derivatives								
Swaps	5,326	11,793	505,907	205,815	93,390	77,668	64,545	64,489
	5,326	11,793	505,907	205,815	93,390	77,668	64,545	64,489
Held as cash flow hedges:								
Interest rate derivatives								
Swaps	864	503	50,027	-	4,224	31,081	12,051	2,671
Foreign exchange derivatives								
Forwards	45	-	3,099	3,099	-	-	-	-
	909	503	53,126	3,099	4,224	31,081	12,051	2,671
Total	45,893	53,758	2,979,747	718,493	587,767	641,045	486,754	545,688

40 Derivative financial instruments (continued)

The positive / negative fair value in respect of derivatives represents the gain/loss respectively, arising on fair valuation of the trading and hedging instrument and are not indicative of any current or future losses. Positive / negative fair values have been adjusted to the carrying value of the hedged loans, advances and Islamic financing, non-trading investment securities, term borrowings and subordinated notes where hedge accounting has been applied.

Where collateral agreements are in place against certain counterparties, and in order to mitigate any credit exposure, the Group would receive collateral. As at 31 December 2025, the Group received cash collateral of AED 7,403 million (31 December 2024: AED 12,395 million) against positive fair value of derivative assets from certain counterparties. Correspondingly, the Group placed cash collateral of AED 14,127 million (31 December 2024: AED 14,494 million) against the negative fair value of derivative liabilities.

Derivatives held for trading purposes

The Group uses derivatives, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency, interest rate and credit risks or initiates positions with the expectation of profiting from favourable movement in prices, rates or indices. The instruments used mainly include interest rate and currency swaps and forward contracts. The fair values of those derivatives are shown in the table above.

Derivatives held for hedging purposes**Derivatives held as fair value hedge**

The Group uses derivative financial instruments for economic hedging purposes as part of its asset and liability management strategy by taking offsetting positions in order to reduce its own exposure to fluctuations in exchange and interest rates. The Group uses interest rate swaps to hedge against the changes in fair value arising from specifically identified interest bearing instruments such as loans, advances and Islamic financing, non-trading investment securities, term borrowings and subordinate notes. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Derivatives held as cash flow hedge

The Group uses forward contracts to hedge the foreign currency risk arising from its financial instruments. The Group has substantially matched the critical terms of the derivatives to have an effective hedge relationship.

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For the year ended 31 December 2025

41 Segmental information

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO (the Group's Chief Operating Decision Maker) in order to allocate resources to the segment and to assess its performance.

During the year, the Group reorganised its operating segments in line with its customer-centric strategy, resulting in changes to the composition and reporting of the Bank's operating segments. The Group's operating structure consists of four key operating segments across geographic regions, driving strategy, customer value propositions, product and channel development, and customer relationships, while supporting the Group's financial performance. The Chief Operating Decision Maker now reviews the performance of the Bank based on the new segment structure.

The measurement basis for segment profit or loss and segment assets remains unchanged due to the reorganization. Comparative information for previous years has been restated to reflect the new reportable segments.

Business segments

Investment Banking & Markets ("IB&M")

IB&M provides institutional and public sector clients with a broad range of banking and financing solutions including corporate & Islamic finance, capital markets, trade, liquidity, cash management services and global markets products. It also encompasses market-making, risk management and investment management activities for the Group.

Wholesale Banking ("WB")

WB serves large and medium-sized corporates with a broad range of banking and financing solutions including corporate & Islamic finance, capital markets, trade, liquidity, cash management services and global markets products.

Personal, Business, Wealth, & Privileged Client Banking Group ("PBW&PCBG")

PBW&PCBG serves a diverse client base including affluent, high and ultra-high net worth individuals, privileged clients and family offices, as well as small to medium-sized businesses. The division offers retail banking, private banking and tailored investment and advisory solutions, leveraging advanced AI & digital capabilities along with distribution and sales channels to deliver seamless experience across the entire customer journey.

Head Office ("HO")

HO includes the Group's support functions and the share of results of associates and certain subsidiaries partially or fully owned by the Group providing banking services and other complementary offerings. These include FAB Misr, First Gulf Libya, Mismak, Abu Dhabi National Properties and legacy portfolios.

Geographic segments

The Group manages its various business segments through a network of branches, subsidiaries and representative offices within the two defined geographic segments, which are UAE and International. Balance sheet and income statement presented within this section are principally the location from which a client relationship exists and is managed, which may differ from where it is financially booked.

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For the year ended 31 December 2025

41 Segmental information (continued)

	Business Segments				Geographic Segments			
	IB&M AED million	WB AED million	PBW&PCBG AED million	HO AED million	Total AED million	UAE AED million	International AED million	Total AED million
For the year ended 31 December 2025								
Net interest income and income from Islamic financing and investing products	5,705	3,997	9,071	1,549	20,322	15,945	4,377	20,322
Net non-interest income	6,080	2,401	3,583	4,289	16,353	13,736	2,617	16,353
Operating income	11,785	6,398	12,654	5,838	36,675	29,681	6,994	36,675
General, administration and other operating expenses	(1,540)	(1,191)	(4,119)	(1,350)	(8,200)	(6,162)	(2,038)	(8,200)
Net impairment charge	(121)	(402)	(1,055)	(1,697)	(3,275)	(2,544)	(731)	(3,275)
Profit before taxation	10,124	4,805	7,480	2,791	25,200	20,975	4,225	25,200
As at 31 December 2025								
Segment assets	463,679	173,673	251,100	515,412	1,403,864	984,506	419,358	1,403,864
Segment liabilities	356,276	255,380	326,124	319,199	1,256,979	986,169	270,810	1,256,979
For the period ended 31 December 2024								
Net interest income and income from Islamic financing and investing products	5,628	4,002	8,836	1,146	19,612	15,545	4,067	19,612
Net non-interest income	4,518	1,760	2,687	3,048	12,013	8,818	3,195	12,013
Operating income	10,146	5,762	11,523	4,194	31,625	24,363	7,262	31,625
General, administration and other operating expenses	(1,423)	(1,135)	(3,814)	(1,415)	(7,787)	(5,776)	(2,011)	(7,787)
Net impairment charge	7	(535)	(1,360)	(2,036)	(3,924)	(3,589)	(335)	(3,924)
Profit before taxation	8,730	4,092	6,349	743	19,914	14,998	4,916	19,914
As at 31 December 2024								
Segment assets	384,899	148,548	228,153	451,647	1,213,247	906,714	306,533	1,213,247
Segment liabilities	298,409	231,310	266,963	285,690	1,082,372	879,268	203,104	1,082,372

Notes to the consolidated financial statements

For the year ended 31 December 2025

42 Earnings per share

Earnings per share is calculated by dividing the net profit for the year after deduction of Interest on Tier 1 capital notes payment by the weighted average number of ordinary shares in issue during the year as set out below:

	31 Dec 2025	31 Dec 2024
Basic and diluted earnings per share:		
Net profit for the year (AED million)	21,110	17,055
Less: Interest payment on Tier 1 capital notes (AED million)	(679)	(743)
Net profit after interest payment on Tier 1 capital notes (AED million)	20,431	16,312
Weighted average number of ordinary shares:		
Weighted average number of ordinary shares (million)	11,048	11,041
Basic and diluted earnings per share (AED)	1.85	1.48

43 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, Board of Directors and key management personnel of the Group. Key management personnel comprise those executive committee members ("EXCO") of the Group who are involved in the strategic planning and decision making of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

The Group operates in a market dominated by entities directly or indirectly controlled by the Government of Abu Dhabi through its government authorities, agencies, affiliations and other organizations, collectively referred to as government related entities. The Group has transactions with other government-related entities and these transactions are conducted in the ordinary course of its business on terms agreed by the Board.

Details of Board of Directors remuneration and key management personnel remuneration are as follows:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Board of Directors' remuneration paid during the year	45	45
Short-term benefits	72	73
Long-term benefits	6	4

Notes to the consolidated financial statements

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43 Related parties (continued)

Balances with related parties at the reporting date are shown below:

	Board of Directors AED million	Major shareholders AED million	Senior management AED million	Associates AED million	Total AED million
As of 31 December 2025					
Financial assets					
Investments at fair value through profit or loss	-	136	-	-	136
Reverse purchase agreements	-	75	-	-	75
Derivative financial instruments	-	210	-	5	215
Loans, advances and Islamic financing	3,819	33,166	160	1,291	38,436
Non-trading investment securities	-	3,713	-	-	3,713
Other assets	48	428	9	7	492
Financial liabilities					
Derivative financial instruments	-	152	-	11	163
Customer accounts and other deposits	10,774	11,733	66	1,532	24,105
Other liabilities	279	66	1	7	353
Contingent liabilities					
Derivatives	-	12,320	-	1,685	14,005
Letter of credit	1	374	-	-	375
Guarantees	173	1,444	-	1	1,618
For the year ended 31 December 2025					
Interest income	183	1,698	7	69	1,957
Interest expense	(356)	(433)	(2)	(96)	(887)
Fee and commission income	22	137	-	5	164
Fee and commission expense	-	-	-	(149)	(149)
Net gain on investments and derivatives	-	99	-	20	119
As of 31 December 2024					
Financial assets					
Investments at fair value through profit or loss	-	81	-	-	81
Reverse purchase agreements	-	347	-	-	347
Derivative financial instruments	-	17	-	-	17
Loans, advances and Islamic financing	2,652	32,218	145	1,042	36,057
Non-trading investment securities	-	3,515	-	-	3,515
Other assets	21	433	7	-	461
Financial liabilities					
Derivative financial instruments	-	267	-	4	271
Customer accounts and other deposits	9,736	19,232	61	636	29,665
Other liabilities	197	191	1	-	389
Contingent liabilities					
Derivatives	-	10,218	-	750	10,968
Letter of credit	-	433	-	-	433
Guarantees	181	2,058	-	-	2,239
For the year ended 31 December 2024					
Interest income	130	1,894	6	59	2,089
Interest expense	(429)	(537)	(1)	(104)	(1,071)
Fee and commission income	9	159	-	44	212
Fee and commission expense	-	-	-	(126)	(126)
Net gain on investments and derivatives	-	121	-	(105)	16

As at 31 December 2025, the ECL allowance held against related party balances amounted to AED 37 million (31 December 2024: AED 33 million).

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For the year ended 31 December 2025

44 Fiduciary activities

The Group held assets under management in trust or in a fiduciary capacity for its customers at 31 December 2025 amounting to AED 27,369 million (31 December 2024: AED 39,889 million). Furthermore, the Group provides custodian services for some of its customers.

The underlying assets held in a custodial or fiduciary capacity are excluded from these consolidated financial statements of the Group.

45 Special purpose entity

The Group has created a Special purpose entity (SPE) with defined objectives to carry out fund management and investment activities on behalf of customers. The equity and investments managed by the SPE is not controlled by the Group and the Group does not obtain benefits from the SPE operations, apart from commissions and fee income. In addition, the Group does not provide any guarantees or assume any liabilities of this entity. Consequently, the SPE assets, liabilities and results of operations are not included in these consolidated financial statements of the Group. The SPE is as follows:

Legal Name	Activities	Country of incorporation	As at 31 Dec 2025	As at 31 Dec 2024
One share PLC	Investment Company	Republic of Ireland	100%	100%

Notes to the consolidated financial statements

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46 Fair value measurement

(a) Valuation framework

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets, and financial and non-financial liabilities. The Group has an established control framework for the measurement of fair values. Several control functions support this framework (Valuation Control within Finance function and Market Risk Analytics within the Risk functions) that are independent of the Front Office. Significant valuation issues are reported to the Group Valuation Committee operating under the Board Risk and ESG Committee.

Specific controls include:

- Independent verification of market data and model parameters used in the valuation process and valuation adjustments are applied when significant deviations are observed;
- Review of significant unobservable and stale inputs and significant changes to the fair value measurement of Level 3 instruments;
- Validation and approval process for new models and frequent review of existing models or when changes are performed;
- Profit or loss attribution analysis process for changes in fair value;
- Calibration against observed market transactions.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from third parties to support the conclusion that these valuations meet the requirements of the Accounting Standards, including the level in the fair value hierarchy in which the valuations should be classified. This includes:

- Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- When prices for similar instruments are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then understanding how fair value has been determined using those quotes.

(b) Fair value adjustments

The Group applies the following fair value adjustments to its base valuation procedures to better reflect the individual characteristics of trades that market participants would consider when trading in or setting specific prices for these instruments.

Exit risk adjustments:

These reflect the bid-offer costs that would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position. Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, determined by calibrating to derivative prices, or by scenario or historical analysis.

Credit risk adjustments

The credit valuation adjustment ('CVA') is an adjustment to the valuation of over the counter ('OTC') derivative contracts to reflect the possibility that the counterparty may default and that the Group may not receive the full market value of the transactions. The debt valuation adjustment ('DVA') is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that the Group may default, and that it may not pay the full market value of the transactions.

These adjustments are calculated for both uncollateralised and collateralised derivatives across all asset classes. CVA and DVA are calculated using estimates of expected positive and negative exposures respectively, probability of default and recovery rates, at a counterparty level. Counterparties include (but are not limited to) financial institutions, corporates, sovereigns and sovereign agencies and supranationals. Expected exposure is generally estimated through the simulation of underlying risk factors through Monte Carlo simulation techniques.

Probability of default and recovery rate information is generally sourced from the CDS markets. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping the counterparty to a sector curve based on the rating, the region and the industry sector.

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46 Fair value measurement (continued)

(b) Fair value adjustments (continued)

Model related adjustments

These are applied when either model inputs are overly simplified, the model has limitations deriving the fair value of a position or there is no market wide consensus on the choice of a model. These adjustments are required to correct existing model weaknesses or deficiencies that were highlighted during the model validation process.

The models applied by the Bank may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as new market conditions. Such interim adjustments are reflected in the model uncertainty adjustments until the base models are updated.

(c) Valuation inputs

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Model inputs and parameters are based on and calibrated to market observable prices, including broker quotes, current or recent transaction prices and market consensus, where available. In absence of market observable prices, empirical data and/or judgement may be required in model calibration process, which is inherently subjective and can yield a range of possible inputs and estimates of fair value. Management uses prudent judgement to select the most appropriate point in the range.

(d) Valuation techniques

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives, and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain OTC structured derivatives for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates. In cases where inputs are deemed unobservable, additional provision may be required to cater for the higher valuation uncertainty.

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For the year ended 31 December 2025

46 Fair value measurement (continued)

(d) Valuation techniques (continued)

Fair value estimates obtained from models are adjusted if any significant risk factor is missing in the valuation model to the extent that the Group believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa – e.g. interest rate swaps – fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants would take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value. Management uses judgement to select the most appropriate point in the range.

Derivatives

OTC derivative valuation models calculate the present value of expected future cash flows, based upon 'no arbitrage' principles. For many vanilla derivative products, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some differences in market practice. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Equity Instruments

The majority of equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Units held in investment funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Private equity

Investments in private equity funds are valued using net asset values ('NAV') received by the external fund manager. Adjustments may be required to the NAV of the funds to obtain valuations that consider exit costs observable on the secondary market and to reflect the uncertainty inherent to the nature of the investments held.

Securities

Fair value is determined by using quoted prices in active markets when available. When not available, quoted prices in less active markets are used. In the absence of position's specific quoted prices, fair value may be determined through benchmarking from comparable instruments.

Structured notes

These comprise principally credit and equity linked notes issued by the Bank, which provide the counterparty with a return linked to the creditworthiness of specific underlying. Examples of the unobservable parameters include correlations between underlying.

Debt instruments

Debt instruments are fixed or floating rate securities or may be embedded with derivative characteristics. The Bank uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value.

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For the year ended 31 December 2025

46 Fair value measurement (continued)

(e) Fair value of financial instruments

The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2025:

	Fair value through profit or loss AED million	FVOCI – with recycle to profit or loss AED million	FVOCI – without recycle to profit or loss AED million	Amortised cost AED million	Carrying amount AED million
Financial assets					
Cash and balances with central banks	-	-	-	268,497	268,497
Investments at fair value through profit or loss	74,107	-	-	-	74,107
Due from banks and financial institutions	-	-	-	25,613	25,613
Reverse repurchase agreements	-	-	-	93,987	93,987
Derivative financial instruments	40,702	-	-	-	40,702
Loans, advances and Islamic financing	-	-	-	616,325	616,325
Non-trading investment securities	-	177,886	6,484	5,342	189,712
Other assets	-	-	-	54,239	54,239
	114,809	177,886	6,484	1,064,003	1,363,182
Financial liabilities					
Due to banks and financial institutions	-	-	-	137,801	137,801
Repurchase agreements	-	-	-	52,190	52,190
Commercial Paper	-	-	-	29,939	29,939
Derivative financial instruments	48,548	-	-	-	48,548
Customer accounts and other deposits	-	-	-	840,773	840,773
Other liabilities ¹	2,260	-	-	58,984	61,244
Term borrowings	1,119	-	-	74,189	75,308
Subordinated notes	-	-	-	7,017	7,017
	51,927	-	-	1,200,893	1,252,820

¹Other liabilities that are held for trading are classified as level 1 in the fair value hierarchy.

Management considers that the carrying amounts of the Group's financial assets and liabilities do not materially differ from their fair values as at the year end.

Notes to the consolidated financial statements

For the year ended 31 December 2025

46 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2024:

	Fair value through profit or loss AED million	FVOCI – with recycle to profit or loss AED million	FVOCI – without recycle to profit or loss AED million	Amortised cost AED million	Carrying amount AED million
Financial Assets					
Cash and balances with central banks	-	-	-	214,404	214,404
Investments at fair value through profit or loss	56,028	-	-	-	56,028
Due from banks and financial institutions	-	-	-	23,724	23,724
Reverse repurchase agreements	-	-	-	69,661	69,661
Derivative financial instruments	45,893	-	-	-	45,893
Loans, advances and Islamic financing	-	-	-	528,897	528,897
Non-trading investment securities	-	177,922	5,495	4,029	187,446
Other assets	-	-	-	47,257	47,257
	101,921	177,922	5,495	887,972	1,173,310
Financial Liabilities					
Due to banks and financial institutions	-	-	-	71,896	71,896
Repurchase agreements	-	-	-	32,329	32,329
Commercial Paper	-	-	-	17,888	17,888
Derivative financial instruments	53,758	-	-	-	53,758
Customer accounts and other deposits	-	-	-	782,379	782,379
Other liabilities ¹	1,211	-	-	47,031	48,242
Term borrowings	682	-	-	64,106	64,788
Subordinated notes	-	-	-	6,861	6,861
	55,651	-	-	1,022,490	1,078,141

¹Other liabilities that are held for trading are classified as level 1 in the fair value hierarchy.

Management considers that the carrying amounts of the Group's financial assets and liabilities do not materially differ from their fair values as at the year end.

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For the year ended 31 December 2025

46 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

Financial instruments measured at fair value - hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy:

	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
As at 31 December 2025				
Investment at fair value through profit or loss	50,852	17,313	5,942	74,107
FVOCI - with recycle to profit or loss	151,380	25,386	1,120	177,886
FVOCI - without recycle to profit or loss	6,262	3	219	6,484
Derivative financial instruments (assets)	216	40,465	21	40,702
	208,710	83,167	7,302	299,179
Derivative financial instruments (liabilities)	1,023	47,446	79	48,548
Term borrowings	-	674	445	1,119
	1,023	48,120	524	49,667
	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
As at 31 December 2024				
Investment at fair value through profit or loss	12,980	38,678	4,370	56,028
FVOCI - with recycle to profit or loss	144,821	31,316	1,785	177,922
FVOCI - without recycle to profit or loss	1,184	4,094	217	5,495
Derivative financial instruments (assets)	387	45,506	-	45,893
	159,372	119,594	6,372	285,338
Derivative financial instruments (liabilities)	133	53,530	95	53,758
Term borrowings	-	328	354	682
	133	53,858	449	54,440

The following table shows the transfer between the hierarchies:

	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
Investment at fair value through profit or loss				
Balance as at 1 January 2025	12,980	38,678	4,370	56,028
Transfers:				
Transfer from level 2 to level 1	1,055	(1,055)	-	-
	1,055	(1,055)	-	-
Net non-level movements	36,817	(20,310)	1,572	18,079
Balance as at 31 December 2025	50,852	17,313	5,942	74,107

Notes to the consolidated financial statements

For the year ended 31 December 2025

46 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

Non-trading investment securities	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
Balance as at 1 January 2025	146,005	35,410	2,002	183,417
Transfers:				
Transfer from level 1 to level 2	(112)	112	-	-
Transfer from level 2 to level 1 ¹	5,947	(5,947)	-	-
Transfer from level 3 to level 2	-	263	(263)	-
	5,835	(5,572)	(263)	-
Net non-level movements	5,802	(4,449)	(400)	953
Balance as at 31 December 2025	157,642	25,389	1,339	184,370

Investment at fair value through profit or loss	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
Balance as at 1 January 2024	6,708	35,357	3,144	45,209
Transfers:				
Transfer from level 1 to level 2	(542)	542	-	-
Transfer from level 2 to level 1	958	(958)	-	-
Transfer from level 2 to level 3	-	(18)	18	-
	416	(434)	18	-
Net non-level movements	5,856	3,755	1,208	10,819
Balance as at 31 December 2024	12,980	38,678	4,370	56,028

Non-trading investment securities	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
Balance as at 1 January 2024	134,567	39,576	1,126	175,269
Transfers:				
Transfer from level 1 to level 2	(4,130)	4,130	-	-
Transfer from level 2 to level 1	872	(872)	-	-
Transfer from level 2 to level 3	-	(578)	578	-
	(3,258)	2,680	578	-
Net non-level movements	14,696	(6,846)	298	8,148
Balance as at 31 December 2024	146,005	35,410	2,002	183,417

Management considers that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements do not materially differ from their fair values.

¹During the year, certain financial instruments were transferred from Level 2 to Level 1 in the fair value hierarchy following a change in the valuation methodology.

Notes to the consolidated financial statements

For the year ended 31 December 2025

46 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

The following table shows a reconciliation of instruments measured at fair value (assets) and classified as Level 3:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Balance as at the beginning of year	6,372	4,281
Additions	3,604	3,668
Fair value and other adjustments	(2,674)	(1,577)
Balance as at the end of year	7,302	6,372

The Level 3 financial instruments include private equity investments, and their valuations are based on the latest net asset published by the fund manager. The effect of changes in its valuation is covered as part of equity price risk included in note 47(c). The remaining mainly comprise of debt instruments which are priced using last available prices.

Any change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not change the fair value significantly.

47 Financial risk management

Risk management framework

Introduction and overview

The primary objective of the Group is to manage risk and provide risk adjusted returns to the shareholders in line with the accepted risk profile. In the course of doing its regular business activities, the Group gets exposed to multiple risks notably credit risk; capital risk; market risk (including interest rate risk in the trading book, currency risk, equity risk in the trading book); liquidity risk; interest rate risk in the banking book; model risks; operational risk (including risk of fraud); technology risk, information security and data privacy, business continuity; legal and compliance risk; shariah compliance risks and ESG risks. A well established risk governance and ownership structure ensures oversight and accountability of the effective management of risk at the Group. The risk management tone is set right at the top from the Board of Directors ("BOD") and gets implemented through a well defined risk management structure and framework.

Composition of Board

The Board of Directors ("BOD") is responsible for the overall direction, supervision and control of the Group. The BOD has delegated authority to specialist committees who support the Board in execution of its responsibilities. The day-to-day management of the Group is conducted by the Group Chief Executive Officer ("GCEO") and the Group Executive Committee as delegated by the Board. The BOD has overall responsibility for the Group including approving and overseeing the implementation of its strategic objectives, risk strategy, corporate governance and corporate values within the agreed framework in accordance with relevant statutory and regulatory structures. In accordance with the Bank's Articles of Association, the BOD comprises eleven members. Each Director holds the position for three years, which may then be renewed for a further three-year term. The Board of Directors of the Bank's subsidiaries have the same fiduciary responsibilities towards their respective entities as the Bank's Directors have towards the Group.

Corporate Governance Framework

The Group maintains a comprehensive Corporate Governance Framework that sets clear guidance on rules, policies, processes, and governance principles. This framework enables the Board of Directors (BOD) and Senior Management to exercise effective oversight and ensure the sound management of the Group.

In line with its charter, the BOD is responsible for driving the implementation of corporate governance standards and safeguarding the integrity of the Group's governance framework. To promote consistency and uphold the highest standards of professionalism, all subsidiaries and international operations are required to establish governance frameworks aligned with the Group's overarching principles.

The Head of Corporate Governance serves as the custodian of this framework, ensuring its integrity and consistent application across the organisation.

Risk Management Structure

The BOD approves the risk management framework for the Bank, its subsidiaries, its associates and international offices including representative offices and overseas branches. Under authority delegated by the BOD, the Board Risk and ESG Committee ("BRESGC"), through its separately convened Group risk management meetings formulates high level Group risk management policies, exercises delegated risk authorities and oversees the implementation of risk management framework and controls. The Group Chief Risk Officer ("GCRO") functionally reports to this Committee.

Board Management Committee ("BMC")

The BMC approves and oversees execution of the Group's business plan per the strategy approved by the Board and oversees and reviews material aspects of the business of the Group. The Committee meets quarterly or more frequently as deemed necessary.

Board Risk and ESG Committee ("BRESGC")

The BRESGC provides oversight and advice to the BOD in relation to current and potential future risk exposures of the Group, risk strategy, risk appetite and tolerance as well as risk culture of the Group. The committee also oversees and provides guidance to the Board of Directors on ESG matters. The Committee meets quarterly or more frequently as deemed necessary. The Group's risk management function has a direct reporting line to the BRESGC through the Group Chief Risk Officer.

Board Audit Committee ("BAC")

BAC ensures oversight of the effectiveness of the internal control systems and the quality and integrity of financial statements and financial reporting. In addition, it reviews, approves and oversees the internal and external audit programs and ensures coordination between internal and external auditors. The Group Chief Audit Officer ("GCAO") provides reports to the Committee on internal controls and the Head of Compliance reports directly to the BAC on compliance related matters. The Committee meets quarterly or more frequently as deemed necessary.

47 Financial risk management (continued)

Risk management framework (continued)

Board Level Committees within the Group

Remuneration and Nomination Committee ("REMCO")

The REMCO recommends and oversees the appointment and termination of BOD and succession planning for the Group Executive Committee members. This includes an assessment of the skills, knowledge and expertise needed to ensure they are positioned to discharge their responsibilities in the interests of the shareholders and the Group. The Committee also reviews and recommends to the Board, Group's reward policy framework, approves and oversees reward design and ensures it is appropriate and consistent with the Group's culture, values, business performance and risk strategy. The Committee meets at least twice a year or more frequently as deemed necessary.

Management Level Committees within the Group

There are ten management level committees. The major functions of the ten management committees are listed below:

Group Executive Committee ("EXCO")

The Group Executive Committee ("Group EXCO") is the Group's senior most management level committee and it operates under a delegated authority from the Board. It is responsible for identifying matters required or appropriate for escalation to the BOD or Board Committees. The Group EXCO also supports the Group CEO to determine and implement the Group's strategy as approved by the Board.

The key responsibilities of the Committee include decisions on the Bank's strategy, annual budgets, capital management, risk management and Group's more material policies and procedures. The Group EXCO may delegate certain authorities and powers to management committees and individuals, but the Group EXCO reserves the authority to deal with strategy, annual budget and structure; financial reporting and controls; capital management; risk and internal control; contracts; corporate governance matters; executive remuneration and human resources policies, and Group policies generally; general meeting of shareholders and communication and any other matters in its discretion.

Group Credit Committee ("GCC")

GCC assists in the development and implementation of the Group's credit, investment strategy and the related policies and procedures. The aim of GCC is to have an overall credit oversight of the Group and decide on credit policy and governance related matters.

Group Risk Committee ("GRC")

GRC assists in setting and monitoring Group risk strategy, risk exposures and group risk profile in an effective manner. The primary objective of GRC is to define, develop and periodically monitor the Group's risk appetite, risk frameworks, methodologies and risk policies. GRC reports material risk matters to the EXCO and BRESGC as appropriate.

Group Compliance Committee ("Compliance committee")

Group Compliance Committee assists the Group EXCO and BAC in fulfilling its objective of overseeing the Bank's regulatory responsibilities as well as ensuring the Bank's compliance with the applicable laws and regulations issued by various regulatory authorities across the Group.

Group Asset & Liability Committee ("GALCO")

The GALCO is the driving force and key decision maker behind the structure and quality of the balance sheet. It is directly accountable to the BRESGC for ensuring that the risks within the Group's asset and liability position are prudently managed.

Human Resources Steering Committee ("HRSC")

HRSC assists the Group EXCO and the REMCO to implement strategic and operational HR initiatives to deliver the Group's long-term shareholder value. The Committee is the formal sponsor of all material HR initiatives across the Group in line with the Group's Employee Value Proposition ("EVP").

47 Financial risk management (continued)

Risk management framework (continued)

Management Level Committees within the Group (continued)

Group Operational & Fraud Risk Committee ("GO&FRC")

GO&FRC assists the Group EXCO and the Board Risk and ESG Committee ("BRESGC") in fulfilling the Group's Operational and Fraud Risk Management related matters. The key responsibilities of this committee are to define guidelines to identify and manage Operational & Fraud risks in all new products, processes, and activities, defining scope, policy, objectives, assumptions, and roles / responsibilities of the Group's Operational & Fraud Risk Management Policies.

Group Technology Risk and Information Security Committee ("GTRISC")

GTRISC assists the Group EXCO and the BRESGC in overseeing, reviewing and taking decisions on the implementation of Group's security controls and business continuity framework to ensure that information assets of the Bank are adequately protected and to ensure prevention and recovery from potential natural / man made threats. It also serves as an independent and objective governance forum which ensures the adequacy and effectiveness of the Group's information security framework.

Group ESG Committee ("GESGC")

GESGC assists the Group EXCO and BRESGC in all ESG related matters of the Group. The primary objective of the GESGC is to promote and oversee the ESG strategy, culture, and awareness across the Group.

Group Technology Steering Committee ("GTSC")

GTSC assists in fulfilling EXCO's governance and oversight responsibilities of all technology and information systems across the Group and supports the work of the BRESGC in its oversight of the Group IT governance framework. The GTSC ensures alignment of business strategies with technology priorities and acts to protect and enhance the shareholders' investment in technology.

Group Risk Management Framework

The Group has a centralised Risk Management function led by the GCRO. The Risk Management function comprises of sub functions such as enterprise risk & credit risk, capital risk, market and interest rate risk, liquidity risk, model risk, operational and fraud risk, legal risk, technology risk, information security and data privacy, business continuity, credit recovery, corporate governance, shariah compliance risk and Group ESG.

The Bank has established the Group risk management framework to support the Group's risk management objectives. The core objective of the Group risk management framework is to provide a reasonable degree of assurance to the Board that the risks affecting the Group's achievement of its core values and purpose are being identified, measured, monitored and controlled through an effective integrated risk management system.

The framework consists of specific policy documents covering all material risks across the Group that include enterprise risk management policy, risk appetite policy, reputational risk management policy, strategic risk management policy, ESG related framework and policies, capital management policy, corporate governance related policies and framework, credit risk management related policies, market risk related policies, asset liability management (ALM) risk related policies, operational risk management policy, fraud risk management policy, outsourcing risk policy, Group Operational Resilience Policy, compliance risk related policies, information security risk related policies, business continuity management policy, AI Governance Management Policy, internal capital adequacy assessment process (ICAAP) policy, Pillar III disclosure policy, Group Recovery Planning Policy, recovery and resolution plan, pillar II & stress testing methodology, new products approval policy, model risk management policy, Shariah Compliance Policy and Shari'ah governance framework. In addition to these risk management policies, the Group has also put in place detailed operational policies, procedures and programs wherever needed.

The Group follows three lines of defence approach for managing risks. Business units and enabling functions, as the first line of defence, identify and manage risk in their day-to-day activities by ensuring that activities are within the Group's risk appetite and follow all relevant internal policies and processes. Group Credit, Group Risk, Legal and Group Compliance, as the second line of defence, establishes risk controls comprising of policies and processes while also providing oversight and independent challenge to the first line of defence. The Group Chief Risk Officer ("GCRO") has a direct reporting line to the BRESGC to ensure the independence of Group Risk from Internal audit, as the third line of defence, provides assurance to management and the Board on the effectiveness of risk management practices employed by the first two lines of defence. The Group Chief Audit Officer has a direct reporting line to the Board Audit Committee.

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47 Financial risk management (continued)

Risk management framework (continued)

Group Risk Management Framework (continued)

As a part of the Group risk management framework, FAB has established a formal risk appetite after careful consideration of the risk-return trade off.

Risk monitoring and control is primarily based on limits established by the Group's executive management. These limits reflect the Group's business strategy and the market environment in which it operates as well as the risk appetite of the Group. Information from all parts of the Group is collected, examined and processed in order to identify, analyse and control risks. This information is presented to the BRESGC and the GRC on a quarterly basis. The information covers enterprise wide risks and is designed to enable the Board and executive management to receive all necessary information so as to independently assess the possible impact of these risks on the Group's businesses. The Group uses a range of measures to mitigate and control risks, including the use of credit risk mitigation techniques (collaterals, guarantees, netting, etc.) to reduce exposure to credit risk and the use of derivative instruments to reduce certain interest and currency exchange rate risks. The risk profile of all major transactions is assessed and authorised by appropriate management representatives before the transactions are concluded and the effectiveness of all risk mitigation measures is closely monitored by the risk management unit. The Group risk management frameworks and strategies are dynamically updated based on regulations and market best practices. The group also regularly conducts training and awareness initiatives for its staff and customers to ensure robust risk culture.

(a) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and causes the Group to incur a financial loss. It arises principally from the Group's loans, advances and Islamic financing, due from banks and financial institutions, reverse repurchase agreements, non-trading debt investments, derivative financial instruments and certain other financial assets.

Management of credit risk

Credit risk identification and assessment at the Group is carried out through a comprehensive mechanism comprising three levels of defence. The first level of defence lies with the business units and is responsible for maintaining a sound credit quality of assets in line with the approved business strategy and credit risk appetite. The second level of defence is with the Group Credit Unit that assesses the risk at the customer and facility level, ensures proper documentation of customer, facility and security documents along with Group Risk management unit that assesses credit risk on a portfolio basis and maintains credit risk policies and credit risk rating models up to date. Internal Audit acts as a third level of defence with regular reviews of credit analysis and the risk functions to check the compliance with policies and procedures of the Group. The unit also reviews the policy documents on a regular basis.

As part of credit risk monitoring and control framework, regular risk monitoring both at customer and portfolio levels is carried out along several parameters which include credit quality, provisioning levels, exposure limits across several dimensions, financial and operating performance, account conduct, end use of funds, adequacy of credit risk mitigants, adherence to financial and non-financial covenants, recovery performance, rating system performance among others.

Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost, and fair value through other comprehensive income (FVOCI) debt investments without considering collateral or other credit enhancements. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

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47 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets, less amounts offset, interest in suspense and impairment losses, if any.

The carrying amount of financial assets represents the maximum credit exposure.

As at 31 December 2025	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired ⁴		Total	
	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million
Balances with central banks	264,864	17	1,326	119	-	-	-	-	266,190	136
Due from banks and financial institutions	23,495	5	2,168	44	-	-	-	-	25,663	49
Reverse repurchase agreements	94,063	76	-	-	-	-	-	-	94,063	76
Loans, advances and Islamic financing ¹	597,543	2,647	14,276	1,749	17,243	4,611	3,662	349	632,724	9,356
Non-trading investment securities										
Amortised cost securities	5,344	2	-	-	-	-	-	-	5,344	2
FVOCI debt securities ²	177,803	101	-	-	83	3	-	-	177,886	104
Other assets ³	23,545	292	26	-	176	34	-	-	23,747	326
Unfunded exposures	346,533	483	3,201	103	2,274	647	1	1	352,009	1,234
	1,533,190	3,623	20,997	2,015	19,776	5,295	3,663	350	1,577,626	11,283

¹The exposure represents gross loans, advances and Islamic financing, including suspended interest of AED 7,043 million primarily on Stage 3 and purchased or originally credit impaired assets (POCI).

²The provision for FVOCI instruments is included within the net impairment charge, and the related balance is presented in the fair value reserve under the equity.

³On certain assets included as part of other assets, ECL is computed based on simplified approach.

⁴The Group, from an internal credit quality point of view, considers AED 3,569 million as par to non-performing loans, advances and Islamic financing.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

As at 31 December 2024	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired ⁴		Total	
	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million
Balances with central banks	211,273	26	1,147	118	-	-	-	-	212,420	144
Due from banks and financial institutions	21,493	9	2,281	41	-	-	-	-	23,774	50
Reverse repurchase agreements	69,755	94	-	-	-	-	-	-	69,755	94
Loans, advances and Islamic financing ¹	513,581	2,618	10,528	1,778	22,677	8,943	3,727	450	550,513	13,789
Non-trading investment securities										
Amortised cost securities	4,030	1	-	-	-	-	-	-	4,030	1
FVOCI debt securities ²	177,834	166	-	-	88	4	-	-	177,922	170
Other assets ³	23,190	224	9	6	122	37	-	-	23,321	267
Unfunded exposures	250,775	300	3,842	154	2,294	607	1	-	256,912	1,061
	1,271,931	3,438	17,807	2,097	25,181	9,591	3,728	450	1,318,647	15,576

¹The exposure represents gross loans, advances and Islamic financing including suspended interest of AED 7,827 million primarily on Stage 3 and purchased or originally credit impaired assets (POCI).

²The provision for FVOCI instruments is included within the net impairment charge, and the related balance is presented in the fair value reserve under the equity.

³On certain assets included as part of other assets, ECL is computed based on simplified approach.

⁴The Group, from an internal credit quality point of view, considers AED 3,664 million as par to non-performing loans, advances and Islamic financing.

47 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

The movement of gross exposure is as follows:

Loans, advances and Islamic financing	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2025	513,581	10,528	22,677	3,727	550,513
Transfers:					
Transfer from Stage 1 to Stage 2	(8,576)	8,576	-	-	-
Transfer from Stage 1 to Stage 3	(2,159)	-	2,159	-	-
Transfer from Stage 2 to Stage 1	2,856	(2,856)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,583)	1,583	-	-
Transfer from Stage 3 to Stage 2	-	734	(734)	-	-
Transfer from Stage 3 to Stage 1	100	-	(100)	-	-
	(7,779)	4,871	2,908	-	-
Net amounts written off	(45)	(382)	(7,499)	(93)	(8,019)
Net non-stage movements	91,786	(741)	(843)	28	90,230
Balance as at 31 December 2025	597,543	14,276	17,243	3,662	632,724

Unfunded exposure	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2025	250,775	3,842	2,294	1	256,912
Transfers:					
Transfer from Stage 1 to Stage 2	(890)	890	-	-	-
Transfer from Stage 1 to Stage 3	(178)	-	178	-	-
Transfer from Stage 2 to Stage 1	529	(529)	-	-	-
Transfer from Stage 2 to Stage 3	-	(107)	107	-	-
Transfer from Stage 3 to Stage 2	-	16	(16)	-	-
Transfer from Stage 3 to Stage 1	27	-	(27)	-	-
	(512)	270	242	-	-
Net non-stage movements	96,270	(911)	(262)	-	95,097
Balance as at 31 December 2025	346,533	3,201	2,274	1	352,009

Loans, advances and Islamic financing	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2024	464,787	12,938	22,924	3,992	504,641
Transfers:					
Transfer from Stage 1 to Stage 2	(2,920)	2,920	-	-	-
Transfer from Stage 1 to Stage 3	(1,790)	-	1,790	-	-
Transfer from Stage 2 to Stage 1	2,200	(2,200)	-	-	-
Transfer from Stage 2 to Stage 3	-	(3,458)	3,458	-	-
Transfer from Stage 3 to Stage 2	-	1,453	(1,453)	-	-
Transfer from Stage 3 to Stage 1	114	-	(114)	-	-
	(2,396)	(1,285)	3,681	-	-
Net amounts written off	(69)	(350)	(3,466)	(220)	(4,105)
Net non-stage movements	51,259	(775)	(462)	(45)	49,977
Balance as at 31 December 2024	513,581	10,528	22,677	3,727	550,513

47 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

Unfunded exposure	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2024	237,130	4,313	1,664	5	243,112
Transfers:					
Transfer from Stage 1 to Stage 2	(1,816)	1,816	-	-	-
Transfer from Stage 1 to Stage 3	(7)	-	7	-	-
Transfer from Stage 2 to Stage 1	195	(195)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,079)	1,079	-	-
Transfer from Stage 3 to Stage 2	-	19	(19)	-	-
	(1,628)	561	1,067	-	-
Net non-stage movements	15,273	(1,032)	(437)	(4)	13,800
Balance as at 31 December 2024	250,775	3,842	2,294	1	256,912

There were no material movement between stages for other financial assets for the year ended 31 December 2025 and 31 December 2024.

The external ratings for trading securities and non-trading investment securities are disclosed below:

	Investments at fair value through profit or loss		Non-trading investment securities	
	31 Dec 2025 AED million	31 Dec 2024 AED million	31 Dec 2025 AED million	31 Dec 2024 AED million
AAA	1,264	409	42,670	26,248
AA to A	29,159	24,523	110,431	127,150
BBB to B	31,418	24,117	26,112	27,170
CCC and below	3,422	132	338	568
Unrated	8,844	6,847	10,163	6,311
	74,107	56,028	189,714	187,447
Less: expected credit loss	-	-	(2)	(1)
	74,107	56,028	189,712	187,446

Unrated investments primarily consist of investments in private equities and investments in equities which do not carry credit risk. Investments at fair value through profit or loss are neither past due nor impaired.

Collateral held and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees;
- For retail lending, mortgages over residential properties.

The Group has set up a framework for credit risk mitigation as a means towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including approved third party guarantees/ insurance. The types of Credit Risk Mitigation ("CRM") include netting agreements, collaterals, guarantees, credit derivatives and Standby Letters of Credits ("SBLC"). The Group ensures that all documentation used in collateralized transactions and for documenting on and off-balance sheet netting, guarantees, credit derivatives and collateral is binding on all parties and is legally enforceable in all relevant jurisdictions. The Group also ensures that all the documents are reviewed by the appropriate authority and have appropriate legal opinions to verify and ensure their enforceability. Management monitors the market value of collateral on period basis.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

The Group holds collateral and other credit enhancements against certain credit exposures. An estimate of the collateral against loans, advances and Islamic financing is shown below:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Against individually not impaired:		
Real estate	237,269	210,768
Shares and bonds	205,333	205,320
Cash	12,078	10,179
Others	31,276	31,082
Total against individually not impaired	485,956	457,349
Against individually impaired:		
Real estate	14,331	15,064
Shares and bonds	350	134
Cash	143	86
Others	161	150
Total against individually impaired	14,985	15,434
Total collateral against loans, advances and Islamic financing	500,941	472,783
Collateral value cover		
0 – 50%	6,104	11,138
51 – 100%	4,284	3,542
Above 100%	3,381	3,834
Net credit impaired loans, advances and Islamic financing	13,769	18,514

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. There has been no significant change in the quality of the collateral during the year ended 31 December 2025 and 31 December 2024.

Derivatives, reverse sale and repurchase agreements and securities borrowing

The Group mitigates the credit risk of derivatives, reverse sale and repurchase agreements and securities lending by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Derivative transactions are transacted on exchanges, with central clearing counterparties ("CCPs") or entered into under International Swaps and Derivatives Association ("ISDA") master agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed as per the jurisdiction netting rules and the amount (due or payable) in settlement with the counterparty. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. The Group usually executes a credit support annex in conjunction with the ISDA agreement, which requires the Group and its counterparties to post collateral to mitigate counterparty credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs.

The Group's sale and repurchase, reverse sale and repurchase, transactions and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

47 Financial risk management (continued)**(a) Credit risk (continued)****Credit quality analysis (continued)****Loans, advances and Islamic financing**

The general credit worthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loans, advances and Islamic financing extended to it. However, collateral provides additional security, and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other lines and guarantees.

Because of the Group's focus on corporate customers' creditworthiness, valuation of property collateral is conducted on periodic basis in line with the regulatory requirements.

Off balance sheet

The Group applies the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. In the case of commitments to lend, customers and counterparties are subject to the same credit management policies as for loans, advances and Islamic financing. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Amounts arising from ECL**Inputs, assumptions and techniques used for estimating impairment**

Refer accounting policy note 6(a)(vii).

Significant increase in credit risk

The Bank assesses whether there has been a significant increase in credit risk since recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- Probability of default at origination adjusted for the loan maturity; and
- Probability of default at current reporting date adjusted for the remaining life of the loan.

The Group identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed based on the estimation of probability of default and consideration of quantitative factors, each of which are designed to reflect forward looking information on a individual instrument basis.

Similarly, for consumer portfolio, the current and historical performance of the account is used to estimate whether a significant increase in credit risk has occurred.

A borrower that is more than 30 days past due on its contractual obligations is presumed to have a significantly increased credit risk as a backstop unless this presumption can be reasonably rebutted based on supportable forward-looking information.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. These assessments usually reflect in placement of such exposures under certain categories, for example watch list. In these cases, PD gets calculated on lifetime basis.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured based on 12-month PD. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a curing period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. The Group is also complying with all curing period requirements in relevant jurisdictions stipulated by local central banks.

In addition to the quantitative test based on movement of PD, the Group also applies expert credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results.

47 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

Credit risk rating

The Group allocates a credit risk rating to each exposure on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk rating.

The Group allocates non consumer exposure to a credit risk rating based on variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk ratings are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk ratings are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. So, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

For consumer exposure, credit risk assessment is performed through credit risk scoring of borrower's characteristics and past payment behaviour. These scoring factors vary depending on the nature of the exposure and product. Credit risk scores are defined and calibrated such that the risk of default increases exponentially as credit worthiness deteriorates.

Definition of default

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

- The obligor is past due for more than 90 days on any material facility or any material credit obligation; or
- The obligor is unlikely to pay its credit obligations in full.

The Group uses internal credit risk grading for corporate customer that reflects its assessment of the probability of default.

Some off balance sheet exposures such as bank guarantees, letters of credit etc. are treated as impaired if the Group believes it is likely they will be called upon and the customer will not be able to meet these commitments. Where the off-balance sheet exposure is in the form of derivative contracts and there is doubt that all contractual future cash flows will be received from the counterparty, the Group assess the net marked to market exposure to the counterparty taking into account any enforceable netting arrangements in place. The net position (if due from) thus arrived is considered impaired.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes (note 47(e)).

Incorporation of forward-looking information

The Group incorporates forward looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates three economic scenarios: a base case, which is the median scenario assigned a 40% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring. These scenarios are consistent for 2025 and 2024. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund and selected private sector and academic forecasters.

The Group has identified and documented key drivers of credit risk and credit loss for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit loss.

The Group has performed a sensitivity analysis on how ECL on the credit portfolio will change if the scenario weights used in the IFRS 9 model were changed. From a sensitivity analysis point of view, if the downturn scenario for the year was changed by +10%/-10%, ECL would have changed by +0.7%/-0.7% respectively (2024: change of +10%/-10% in the downturn scenario, would have changed ECL by +0.6%/-0.6% respectively). In reality there will be interdependence between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

47 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

The economic scenarios used as at 31 December 2025 included the following key indicators for the years ending 31 December 2026 to 2030.

Region	Macro Variable ^{1,2}	Scenario	2026	2027	2028	2029	2030
MENA	Oil Price	Base	-2.06%	1.10%	2.71%	1.61%	1.83%
		Upside	6.30%	-2.42%	-0.22%	1.47%	1.97%
		Downside	-34.83%	30.04%	16.32%	1.59%	2.56%
	UAE GDP	Base	4.07%	3.72%	3.88%	3.74%	3.65%
		Upside	6.84%	4.30%	3.88%	3.74%	3.65%
		Downside	-2.12%	1.60%	5.78%	5.03%	3.77%
	UAE Housing Price Index	Base	3.52%	5.05%	5.39%	4.60%	3.62%
		Upside	6.61%	6.78%	5.55%	4.26%	3.61%
		Downside	-12.83%	-1.85%	5.44%	6.20%	4.34%
	Egypt GDP	Base	4.55%	5.16%	5.40%	5.44%	5.26%
		Upside	7.13%	5.22%	5.40%	5.44%	5.26%
		Downside	-0.55%	5.23%	6.32%	6.18%	5.74%
	Egypt Equity Index	Base	0.85%	2.98%	4.90%	3.89%	4.53%
		Upside	13.21%	-1.19%	3.24%	2.47%	4.47%
		Downside	-35.57%	19.29%	18.67%	9.40%	5.20%
UK	UK GDP	Base	1.15%	1.63%	1.71%	1.71%	1.73%
		Upside	4.68%	1.88%	1.66%	1.74%	1.94%
		Downside	-4.14%	1.94%	2.86%	1.77%	1.64%
	UK Equity Index	Base	-0.48%	2.67%	4.33%	3.85%	3.84%
		Upside	9.61%	0.00%	1.59%	2.05%	4.14%
		Downside	-19.82%	11.60%	10.63%	5.74%	3.10%

¹Represents the average annualized increase / decrease over the period.

²There are additional macro variables factors used for other regions which are relevant to their market.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note 6(a)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms;
- with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's credit policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both consumer and non consumer loans are subject to the credit policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired (note 6(a)(vii)). A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit impaired/in default.

47 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made material concessions that it would not otherwise consider. Once a loan is restructured, it remains in this category for a minimum period of twelve months, in order to establish satisfactory track record of performance under the restructuring agreement. The Group determines the twelve-month period to commence from the date of signing of the agreement for restructuring. As at the reporting date, the Group has renegotiated the following exposures:

	31 Dec 2025 AED million	31 Dec 2024 AED million
Loans with renegotiated terms		
Gross carrying amount	8,628	11,172
Impaired amount	3,786	4,458
Allowance for impairment	2,105	3,313

The impact of modification loss on the Group's consolidated financial statements is not significant.

Measurement of ECL

The key inputs into the measurement of ECL (note 6 a(vii)):

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the loans.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated at a point in time. The calculation is based on statistical models tailored to the various categories of counterparties and exposures. These statistical models are based on internal data comprising both quantitative and qualitative factors and market data (where available). PDs are estimated considering the contractual maturities of exposures and estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on current collateral, counterparty industry, country of risk and recovery costs that are integral to the financial asset. LGD estimates are recalibrated for different economic scenarios incorporating the impact of change in macro-economic parameters. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Amounts arising from ECL

EAD represents the expected exposure at the time of default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contractual obligations. For undrawn commitments and unfunded facilities such as letter of credit and guarantees, EAD represents the amount of exposure when the facility becomes payable and the funded conversion is based on factors provided by Basel.

However, for credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over the period it is exposed to credit risk and EAD are computed using internal model. Though the Group can cancel the limits with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level.

Modelling of a parameter is carried out on a collective basis wherein the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- historical performance;
- industry; and
- geographic location of the borrower.

47 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in the Group's accounting policy; refer note 6(a)(vii).

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2025	3,438	2,097	9,591	450	15,576
Transfers:					
Transfer from Stage 1 to Stage 2	(197)	197	-	-	-
Transfer from Stage 1 to Stage 3	(136)	-	136	-	-
Transfer from Stage 2 to Stage 1	104	(104)	-	-	-
Transfer from Stage 2 to Stage 3	-	(298)	298	-	-
Transfer from Stage 3 to Stage 2	-	258	(258)	-	-
Transfer from Stage 3 to Stage 1	52	-	(52)	-	-
	(177)	53	124	-	-
Impact of change in provision	379	226	2,980	(32)	3,553
Write offs and other adjustments	(17)	(361)	(7,400)	(68)	(7,846)
Balance as at 31 December 2025	3,623	2,015	5,295	350	11,283

	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2024	2,571	2,250	9,923	536	15,280
Transfers:					
Transfer from Stage 1 to Stage 2	(118)	118	-	-	-
Transfer from Stage 1 to Stage 3	(44)	-	44	-	-
Transfer from Stage 2 to Stage 1	135	(135)	-	-	-
Transfer from Stage 2 to Stage 3	-	(458)	458	-	-
Transfer from Stage 3 to Stage 2	-	130	(130)	-	-
Transfer from Stage 3 to Stage 1	42	-	(42)	-	-
	15	(345)	330	-	-
Impact of change in provision	946	603	2,743	177	4,469
Write offs and other adjustments	(94)	(411)	(3,405)	(263)	(4,173)
Balance as at 31 December 2024	3,438	2,097	9,591	450	15,576

47 Financial risk management (continued)

(a) Credit risk (continued)

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

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Note	Gross maximum exposure 31 Dec 2025 AED million	Gross maximum exposure 31 Dec 2024 AED million
Balances with Central Bank	8	266,190	212,420
Investments at fair value through profit or loss	9	65,545	50,200
Due from banks and financial institutions	10	25,662	23,774
Reverse repurchase agreements	11	94,063	69,755
Loans, advances and Islamic financing	12	632,724	550,513
Non-trading investment securities	13	183,230	181,952
Other assets excluding prepayments		54,565	47,524
Total		1,321,979	1,136,138
Derivatives held for trading	40	35,586	39,658
Derivatives held for hedging	40	5,116	6,235
Total		40,702	45,893
Contingent liabilities	39	223,829	177,950
Commitment	39	128,180	78,962
Total		352,009	256,912
Total credit risk exposure		1,714,690	1,438,943

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.

Notes to the consolidated financial statements

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47 Financial risk management (continued)

(a) Credit risk (continued)

The Group monitors concentrations of credit risk by industry sector, counterparty and geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Concentration by industry sector

	Loans, advances and Islamic financing		Investments ¹		Reverse repurchase agreements		Undrawn loan Commitments	
	31 Dec 2025 AED million	31 Dec 2024 AED million	31 Dec 2025 AED million	31 Dec 2024 AED million	31 Dec 2025 AED million	31 Dec 2024 AED million	31 Dec 2025 AED million	31 Dec 2024 AED million
Agriculture	4,985	3,301	-	-	-	-	223	-
Energy	50,750	40,848	5,115	6,769	-	-	29,158	25,792
Manufacturing	32,044	28,641	3,073	3,177	-	-	13,879	5,257
Construction	9,046	11,033	645	753	-	-	2,651	1,258
Real estate	101,120	94,408	845	960	-	-	13,085	7,855
Trading	25,718	24,936	256	137	-	-	5,898	3,563
Transport and communication	46,092	40,600	6,060	4,172	-	-	10,941	6,450
Banks	21,780	17,993	16,566	26,415	65,756	49,944	1,195	40
Other financial institutions	96,636	84,157	39,029	29,961	17,426	11,547	25,545	19,413
Services	49,480	47,358	3,040	5,458	-	-	9,454	4,121
Government	101,363	72,830	189,192	165,673	10,881	8,264	14,868	5,212
Personal loans and credit cards	50,822	49,472	-	-	-	-	1,283	-
Personal - retail mortgage	42,888	34,936	-	-	-	-	-	1
	632,724	550,513	263,821	243,475	94,063	69,755	128,180	78,962

The above numbers are presented on a gross basis and are not adjusted for provisions or interest in suspense if any.

Included within investments are equity instruments where the credit risk is not applicable.

¹Includes investments at fair value through profit or loss and non-trading investment securities.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(a) Credit risk (continued)

Concentration by location

As at 31 December 2025

	UAE AED million	Europe AED million	Arab countries AED million	Americas AED million	Asia AED million	Others AED million	Total AED million
Cash and balances with central banks	74,644	576	18,614	174,204	595	-	268,633
Investments at fair value through profit or loss	22,298	3,321	30,528	6,505	6,912	4,543	74,107
Due from banks and financial institutions	408	17,679	4,828	1,000	1,724	23	25,662
Reverse repurchase agreements	6,088	26,826	58,220	1,299	712	918	94,063
Derivative financial instruments	3,017	32,273	1,523	99	2,756	1,034	40,702
Loans, advances and Islamic financing	421,316	73,140	65,399	36,175	21,650	15,044	632,724
Non-trading investment securities	29,248	44,968	34,612	48,617	31,598	671	189,714
	557,019	198,783	213,724	267,899	65,947	22,233	1,325,605

As at 31 December 2024

Cash and balances with central banks	80,870	1,259	19,684	112,482	253	-	214,548
Investments at fair value through profit or loss	17,361	3,133	24,173	3,512	7,622	227	56,028
Due from banks and financial institutions	971	14,883	4,330	335	3,227	28	23,774
Reverse repurchase agreements	10,769	13,629	40,078	-	2,249	3,030	69,755
Derivative financial instruments	1,122	41,511	1,049	46	2,077	88	45,893
Loans, advances and Islamic financing	390,181	51,843	53,509	28,505	17,958	8,517	550,513
Non-trading investment securities	37,150	43,120	29,086	46,184	30,588	1,319	187,447
	538,424	169,378	171,909	191,064	63,974	13,209	1,147,958

Concentration by location for investments is measured based on the location of the issuer of the security.

Concentration by location for all others is measured based on the residential status of the borrower.

The above numbers are presented on a gross basis and are not adjusted for provisions or interest in suspense if any.

Concentration by location for undrawn commitments is stated in note 39 of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(a) Credit risk (continued)

Classification of investments as per their counterparties:

	Investments at fair value through profit or loss		Non-trading investments securities	
	31 Dec 2025 AED million	31 Dec 2024 AED million	31 Dec 2025 AED million	31 Dec 2024 AED million
Government sector	62,365	43,736	125,664	120,846
Supranational	44	19	1,119	1,072
Public sector	1,298	999	12,557	14,014
Banking sector	1,102	2,732	15,464	23,683
Corporate / private sector	9,298	8,542	34,910	27,832
	74,107	56,028	189,714	187,447
Less: expected credit loss on amortised cost securities	-	-	(2)	(1)
Total non-trading investment securities and investments at fair value through profit or loss	74,107	56,028	189,712	187,446

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed. Any delay in settlement is rare and monitored.

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 market value of instruments that are favourable to the Group. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it will cost to replace transactions at prevailing market rates if a counterparty defaults. The majority of the Group's derivative contracts are entered into with other banks and financial institutions.

(b) Liquidity risk

Liquidity risk is defined as the risk that the Group will not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. Funding risk arises when the Bank does not maintain a diversified and stable funding base, while minimising its cost.

Liquidity risk arises from cash flows generated by assets and liabilities, including derivatives and other off balance sheet commitments, not being matched in currency, size, and term. The Group ensures that all liabilities can be met as they fall due under both businesses as usual and stress conditions without incurring undue cost. In order to ascertain cash flows realistically, the Group uses a combination of contractual maturities and customer behaviours, depending on the product.

Management of liquidity risk

The Group has defined liquidity risk appetite at a level so as to ensure that the Group has a controlled liquidity risk position with adequate cash or cash equivalents to be able to meet its financial obligations, in all foreseeable circumstances and without incurring substantial additional costs, for a rolling period of three months. The risk appetite is supported by a comprehensive risk management framework that includes Group ALCO approved limits for key funding and liquidity metrics, stress testing and a contingency funding plan.

The liquidity risk appetite is also defined at a level to ensure continued compliance with current and proposed liquidity regulations from both domestic and international regulators and aligned to support the Group's external credit rating objectives.

One of the critical means to measure adequacy of liquidity as per extant global regulation is through Liquidity Coverage Ratio ("LCR"). The Group has been complying with UAE regulation on Basel III LCR and has been reporting the same for a considerable period of time. Accordingly, the Group has invested heavily in ensuring systems and controls framework is in place to comply with all the qualitative and quantitative aspects of Basel III. The Group also continues to measure and report Eligible Liquid Assets ratio (ELAR) in line with CBUAE stipulation on banking returns. In addition, the Group also ensures diversity of funding sources across products, geographies, and monitors funding concentration very actively.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(b) Liquidity risk (continued)

Liquidity limits are defined at the Group level and are cascaded down throughout the organisation to ensure that the Group complies with the defined Group Liquidity Risk appetite. Similarly International limits are cascaded to ensure compliance with any additional local regulatory requirements on liquidity management. All liquidity policies and procedures are subject to review and approval by G-ALCO.

Exposure to liquidity risk

The contractual asset and liability maturity mismatch report without considering the Group's retention history is detailed below.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(b) Liquidity risk (continued)

The maturity profile of the assets and liabilities as at 31 December 2025.

	Total AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Unspecified maturity AED million
Assets							
Cash and balances with central banks	268,497	268,485	12	-	-	-	-
Investments at fair value through profit or loss	74,107	17,389	25,557	15,619	3,805	3,175	8,562
Due from banks and financial institutions	25,613	24,887	110	-	-	616	-
Reverse repurchase agreements	93,987	42,722	29,735	21,530	-	-	-
Derivative financial instruments ¹	40,702	2,483	5,383	7,533	7,822	17,481	-
Loans, advances and Islamic financing	616,325	98,930	100,473	167,871	122,496	126,555	-
Non-trading investment securities	189,712	26,756	26,659	30,169	21,236	78,408	6,484
Other assets	56,562	42,421	14,141	-	-	-	-
Investment in associates	5,297	-	-	-	-	-	5,297
Investment properties	7,934	-	-	-	-	-	7,934
Property and equipment	5,386	-	-	-	-	-	5,386
Intangibles	19,742	-	-	-	-	-	19,742
	1,403,864	524,073	202,070	242,722	155,359	226,235	53,405
Liabilities and equity							
Due to banks and financial institutions	137,801	63,211	22,166	-	52,424	-	-
Repurchase agreements	52,190	33,442	2,540	16,208	-	-	-
Commercial paper	29,939	10,180	19,759	-	-	-	-
Derivative financial instruments ¹	48,548	3,672	4,647	8,757	6,181	25,291	-
Customer accounts and other deposits	840,773	705,840	125,631	8,356	607	339	-
Other liabilities	65,403	49,053	16,350	-	-	-	-
Term borrowings	75,308	8,139	6,224	20,275	25,966	14,704	-
Subordinated notes	7,017	-	-	446	-	6,571	-
Equity	146,885	-	-	-	-	-	146,885
	1,403,864	873,537	197,317	54,042	85,178	46,905	146,885
Undrawn commitments to extend credit	128,180	39,166	80,935	2,304	1,311	4,464	-
Trade contingencies ¹	223,829	117,177	16,958	41,485	13,753	34,456	-

¹These are as per contractual terms. However, in the event of default by the contractual party, it may be payable on demand and therefore are current in nature.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(b) Liquidity risk (continued)

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

	Total AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Unspecified maturity AED million
Assets							
Cash and balances with central banks	214,404	214,368	36	-	-	-	-
Investments at fair value through profit or loss	56,028	20,300	20,225	7,227	590	1,858	5,828
Due from banks and financial institutions	23,724	23,568	-	-	-	156	-
Reverse repurchase agreements	69,661	23,901	24,610	20,065	1,085	-	-
Derivative financial instruments ¹	45,893	3,335	4,083	8,586	7,906	21,983	-
Loans, advances and Islamic financing	528,897	89,107	80,779	137,654	95,478	125,879	-
Non-trading investments securities	187,446	27,113	17,398	39,971	27,905	69,564	5,495
Other assets	49,440	37,080	12,360	-	-	-	-
Investment in associates	4,963	-	-	-	-	-	4,963
Investment properties	8,169	-	-	-	-	-	8,169
Property and equipment	4,683	-	-	-	-	-	4,683
Intangibles	19,939	-	-	-	-	-	19,939
	1,213,247	438,772	159,491	213,503	132,964	219,440	49,077
Liabilities and equity							
Due to banks and financial institutions	71,896	43,362	10,059	77	18,398	-	-
Repurchase agreements	32,329	13,714	-	18,615	-	-	-
Commercial paper	17,888	13,517	4,371	-	-	-	-
Derivative financial instruments ¹	53,758	4,178	4,154	8,893	7,664	28,869	-
Customer accounts and other deposits	782,379	653,953	120,932	6,287	896	311	-
Other liabilities	52,473	39,355	13,118	-	-	-	-
Term borrowings	64,788	4,351	7,790	23,889	21,270	7,488	-
Subordinated notes	6,861	-	-	399	-	6,462	-
Equity	130,875	-	-	-	-	-	130,875
	1,213,247	772,430	160,424	58,160	48,228	43,130	130,875
Undrawn commitments to extend credit	78,962	34,282	44,181	43	183	273	-
Trade contingencies ¹	177,950	98,774	13,923	29,004	21,199	15,050	-

¹These are as per contractual terms. However, in the event of default by the contractual party, it may be payable on demand and therefore are current in nature.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(b) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

	Total AED million	Gross nominal cash flows AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million
As at 31 December 2025							
Due to banks and financial institutions	137,801	148,407	64,296	24,438	4,373	55,300	-
Repurchase agreements	52,190	53,893	33,676	2,589	17,628	-	-
Commercial Paper	29,939	30,390	9,955	20,435	-	-	-
Customer accounts and other deposits	840,773	881,426	740,617	130,165	9,428	719	497
Term borrowings ¹	75,308	94,377	9,308	9,283	23,788	29,810	22,188
Subordinated notes	7,017	8,260	80	334	1,258	755	5,833
	1,143,028	1,216,753	857,932	187,244	56,475	86,584	28,518
Undrawn commitments to extend credit ²	128,180	128,180	39,166	80,935	2,304	1,311	4,464
Trade contingencies	223,829	223,829	117,177	16,958	41,485	13,753	34,456
As at 31 December 2024							
Due to banks and financial institutions	71,896	72,277	43,503	10,294	82	18,398	-
Repurchase agreements	32,329	34,336	13,864	-	20,472	-	-
Commercial Paper	17,888	18,055	13,456	4,599	-	-	-
Customer accounts and other deposits	782,379	804,895	670,888	125,446	7,007	1,083	471
Term borrowings ¹	64,788	82,998	7,030	9,459	29,270	23,229	14,010
Subordinated notes	6,861	8,625	80	332	1,234	774	6,205
	976,141	1,021,186	748,821	150,130	58,065	43,484	20,686
Undrawn commitments to extend credit ²	78,962	78,962	34,282	44,181	43	183	273
Trade contingencies	177,950	177,950	98,774	13,923	29,004	21,199	15,050

¹Includes borrowings with callable feature for which the undiscounted contractual cash flows based on final contractual maturity are presented above without consideration of the call option.

²Calculated as per the contractual maturity profile.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(c) Market risk

Market risk is the risk that the Group's income or capital will affect on account of changes in the value of a financial instrument because of movements in market factors such as interest rates, credit spreads, foreign exchange rates and market prices of equity and commodity. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Management of market risk

The Group separates its exposure to market risk between trading, investment and non-trading portfolios. Trading and investment portfolios are managed on a fair value basis.

Investment Management Committee ("IMCO") is responsible for oversight and guidance to Global Markets' trading and investment activities. It ensures effective management of market risks in accordance with the principles laid down in the market risk management policy. IMCO acts as a subcommittee of Group Asset and Liabilities ("G-ALCO") which has the overall authority and responsibility to manage market risks.

Market Risk Group is responsible for the development and implementation of detailed market risk appetite, risk management methodologies and policies including the control framework that is reviewed by IMCO and submitted to G-ALCO and BRESGC for approval.

Exposure to market risks – trading portfolios

The Bank uses simulation models to assess possible changes in the market value of the trading portfolio based on historical data. The principal analytical tool used to measure and control market risk exposure within the Group's trading portfolios which comprise of investments at fair value through profit or loss and trading derivatives is Value at Risk ("VaR"). The VaR models are designed to measure market risk in a normal market environment. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

The VaR model uses historical simulation based on a 99% confidence level and assumes a 1-day holding period. Using market data from the previous twelve months, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. The historical market rates and prices cover the risk factors associated with the following asset classes: foreign exchange, interest rates, credit, commodities and public equity. The Group has established VaR limits covering all trading desks. The overall structure of Trading VaR limits is subject to review and approval by the IMCO and then ratified at G-ALCO. VaR limits are then cascaded down to trading desks.

VaR is driven by actual historical observations and hence, it is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, the VaR is further supplemented with other sensitivity limit structures and risk measures including stressed VaR (sVaR) and Expected Shortfall (ES) to address potential concentration risks within each trading portfolio. Moreover, the trading activity at Group and desk level is subject to Management Action Triggers ("MAT") that are limits on maximum losses that trigger actions from management. The VaR is as follows:

VaR – Trading Book

All
Interest rate
Credit
Foreign exchange
Equity
Commodity
Diversification benefit

31 Dec 2025			
AED million As at	AED million Average	AED million Max	AED million Min
65	75	118	48
36	43	82	9
12	12	20	8
22	23	71	16
30	53	95	27
-	4	35	-
(35)	(60)	(185)	(12)

VaR – Trading Book

All
Interest rate
Credit
Foreign exchange
Equity
Commodity
Diversification benefit

31 Dec 2024			
AED million As at	AED million Average	AED million Max	AED million Min
33	45	114	23
40	46	146	16
9	17	39	9
48	31	72	10
3	4	29	1
11	2	11	-
(78)	(55)	(183)	(13)

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(c) Market risk (continued)

Exposure to market risk – banking portfolios

Exposure to market risk in the banking portfolios which comprise of non-trading investments securities, reverse repurchase agreements and certain derivative instruments which are designated as hedging instruments arise primarily from the investment portfolios, interest rate gaps in the banking book, and the Group's overall FX positions.

The principal analytical tool used to measure and control the trading and investments risk exposure within the Group is Value at Risk ("VaR"). The VaR model is the same as the one used for the trading portfolios. The Group uses VaR limits for controlling the overall investment risk, including all risk factors such as foreign exchange, interest rate, equities and credit spreads. The overall structure of banking VaR limits is subject to review and approval by IMCO and then ratified by G-ALCO. VaR limits are then cascaded to different Investment desks. The VaR is as follows:

VaR – Banking Book

All
Interest rate
Credit
Foreign exchange
Equity
Diversification benefit

31 Dec 2025			
AED million As at	AED million Average	AED million Max	AED million Min
372	375	480	237
111	120	159	65
344	330	408	225
19	13	20	9
121	171	235	121
(223)	(259)	(342)	(183)

VaR – Banking Book

All
Interest rate
Credit
Foreign exchange
Equity
Diversification benefit

31 Dec 2024			
AED million As at	AED million Average	AED million Max	AED million Min
193	276	419	190
124	97	146	58
221	277	423	221
9	39	201	6
20	20	26	16
(181)	(157)	(377)	(111)

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham. The Board of Directors has set limits on positions by currency. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits. The Group had the following significant net exposures denominated in foreign currencies:

As at 31 December 2025

Currency

US Dollar
Bahraini Dinar
Euro
Saudi Riyal
Chinese Yuan
Indian Rupees
Omani Riyal
Egyptian Pound
Korea Won
Turkish Lira
Libyan Dinar
Others

Net spot position (short)/long AED million	Forward position (short)/long AED million	Total (short)/long AED million
(9,159)	73,252	64,093
12,852	(10,287)	2,565
8,197	(6,086)	2,111
2,483	(3,721)	(1,238)
(45)	(147)	(192)
1,410	(741)	669
203	(857)	(654)
10,351	(9,875)	476
9,167	(8,726)	441
7,038	(6,630)	408
202	-	202
17,445	(17,234)	211

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(c) Market risk (continued)

	Net spot position (short)/long AED million	Forward position (short)/long AED million	Total (short)/long AED million
As at 31 December 2024			
Currency			
US Dollar	(5,456)	66,388	60,932
Bahraini Dinar	13,452	(10,473)	2,979
Euro	11,725	(11,710)	15
Saudi Riyal	614	140	754
Chinese Yuan	(1,590)	1,748	158
Indian Rupees	1,250	(711)	539
Omani Riyal	113	(833)	(720)
Egyptian Pound	4,853	(4,181)	672
Korea Won	4,620	(4,580)	40
Turkish Lira	(21)	100	79
Libyan Dinar	173	-	173
Others	7,349	(7,788)	(439)

As AED, SAR and BHD are pegged against US Dollar, the Group's risk exposure to these currencies is limited to that extent. Exposure to other foreign currencies is insignificant.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2025 and 2024 on its monetary assets, liabilities and net derivatives forward position. The analysis estimates the effect of a reasonably possible movement of AED against other currencies, with all other variables held constant on the consolidated statement of profit or loss.

Currency	BHD	EUR	SAR	CNH	INR
Assumed change in exchange rates	1%	1%	1%	1%	1%
Impact on net income in exchange rate:					
31 Dec 2025 (AED million)	± 26	± 21	± 12	± 2	± 7
31 Dec 2024 (AED million)	± 30	± 1	± 8	± 2	± 5

At 31 December 2025 and 2024, the effect of the assumed changes in exchange rates on equity is insignificant.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The Group is exposed to equity price risk on equity investments, either through holding of equities of another entity or through equity derivatives such as forward contracts, options or swaps. The fair value of these instruments will fluctuate due to changes in the market price of the underlying equity instruments. The Group manages this risk through setting Equity Delta, Vega and Gamma limits. The Group also enforces diversification of investments in terms of geographical distribution and industry concentration.

The following table estimates the sensitivity to a possible change in equity markets on the Group's income statement. The sensitivity of the income statement is the effect of the assumed change in the reference equity benchmark on the fair value of investments carried at fair value through the income statement.

	Assumed level of change %	Impact on net income 31 Dec 2025 AED million	Impact on net income 31 Dec 2024 AED million
Investments at fair value through profit or loss			
Reference equity benchmarks:			
Abu Dhabi Securities Exchange Index	5%	63	101
Dubai Financial Market Index	5%	1	1
Net asset value of managed funds and private equities	5%	328	161
Other equity exchanges	5%	36	21
Unquoted	5%	-	7
		428	291

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(c) Market risk (continued)

The effect on equity as a result of a change in the fair value of equity instruments held as FVOCI at 31 December 2025 and 2024, due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Assumed level of change %	Impact on net Income 31 Dec 2025 AED million	Impact on net Income 31 Dec 2024 AED million
Non-trading investments securities			
Reference equity benchmarks:			
Abu Dhabi Securities Exchange Index	5%	133	202
Dubai Financial Market Index	5%	-	2
Other equity exchanges	5%	180	54
Unquoted	5%	11	17
		324	275

Interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages this risk principally through monitoring interest rate gaps and by matching the repricing profile of assets and liabilities. Overall interest rate risk positions are managed by using derivative instruments to manage overall positions arising from the Group's interest bearing financial instruments. The use of derivatives to manage interest rate risk is described in note 40.

Interest rate risk is also assessed by measuring the impact of reasonable possible changes in interest rate movements. The Group assumes a fluctuation in interest rates of 50 basis points (31 December 2024: 50 basis points) and uses its internal models / management view to estimate the following impact on the net profit for the year and equity at that date:

	Net profit for the year		Equity	
	31 Dec 2025 AED million	31 Dec 2024 AED million	31 Dec 2025 AED million	31 Dec 2024 AED million
50 bps up move	388	311	75	250
50 bps down move	(421)	(362)	(46)	(222)

As on 31 December 2025, interest bearing assets amount to AED 932,104 million (31 December 2024: AED 749,864 million) and interest bearing liabilities amount to AED 866,766 million (31 December 2024: AED 724,353 million). Interest bearing assets/liabilities re pricing less than one year, are used for assessing the impact on net profit. The impact on equity as given in the table above is based on the sensitivity of interest bearing assets and liabilities for the banking book. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

The Group's interest rate gap and sensitivity position based on contractual cash flow arrangements as at 31 December 2025 is as follows:

	Total AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Non-interest bearing AED million
Assets							
Cash and balances with central banks	268,497	213,123	12	-	-	-	55,362
Investments at fair value through profit or loss	74,107	19,273	25,557	13,735	3,805	3,175	8,562
Due from banks and financial institutions	25,613	16,610	3,372	-	1,393	-	4,238
Reverse repurchase agreements	93,987	42,782	29,735	21,470	-	-	-
Derivative financial instruments	40,702	-	-	-	-	-	40,702
Loans, advances and Islamic financing	616,325	464,226	87,991	43,897	13,369	6,842	-
Non-trading investments securities	189,712	48,849	25,404	29,666	21,043	58,266	6,484
Other assets	56,562	-	-	-	-	-	56,562
Investment in associates	5,297	-	-	-	-	-	5,297
Investment properties	7,934	-	-	-	-	-	7,934
Property and equipment	5,386	-	-	-	-	-	5,386
Intangible assets	19,742	-	-	-	-	-	19,742
	1,403,864	804,863	172,071	108,768	39,610	68,283	210,269
Liabilities and equity							
Due to banks and financial institutions	137,801	58,984	22,313	-	47,576	-	8,928
Repurchase agreements	52,190	33,442	2,540	16,208	-	-	-
Commercial paper	29,939	10,180	19,759	-	-	-	-
Derivative financial instruments	48,548	-	-	-	-	-	48,548
Customer accounts and other deposits	840,773	558,280	131,658	22,184	128,452	199	-
Other liabilities	65,403	-	-	-	-	-	65,403
Term borrowings	75,308	24,028	5,425	15,221	12,819	17,815	-
Subordinated notes	7,017	157	-	-	6,860	-	-
Equity	146,885	-	-	-	-	-	146,885
	1,403,864	685,071	181,695	53,613	195,707	18,014	269,764
On statement of financial position gap		119,792	(9,624)	55,155	(156,097)	50,269	(59,495)
Off statement of financial position gap		(128,882)	101,034	7,892	50,158	(30,202)	-
Total interest rate sensitivity gap		(9,090)	91,410	63,047	(105,939)	20,067	(59,495)
Cumulative interest rate sensitivity		(9,090)	82,320	145,367	39,428	59,495	-

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

The Group's interest rate gap and sensitivity position based on contractual cash flow arrangements as at 31 December 2024 is as follows:

	Total AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Non-interest bearing AED million
Assets							
Cash and balances with central banks	214,404	164,098	36	-	-	-	50,270
Investments at fair value through profit or loss	56,028	19,529	21,037	7,190	586	1,858	5,828
Due from banks and financial institutions	23,724	17,268	3,493	-	472	-	2,491
Reverse repurchase agreements	69,661	23,978	24,610	19,988	1,085	-	-
Derivative financial instruments	45,893	-	-	-	-	-	45,893
Loans, advances and Islamic financing	528,897	392,418	68,062	44,500	17,984	5,933	-
Non-trading investments securities	187,446	38,624	17,277	38,754	27,573	59,723	5,495
Other assets	49,440	-	-	-	-	-	49,440
Investment in associates	4,963	-	-	-	-	-	4,963
Investment properties	8,169	-	-	-	-	-	8,169
Property and equipment	4,683	-	-	-	-	-	4,683
Intangible assets	19,939	-	-	-	-	-	19,939
	1,213,247	655,915	134,515	110,432	47,700	67,514	197,171
Liabilities and equity							
Due to banks and financial institutions	71,896	40,649	6,382	77	18,403	-	6,385
Repurchase agreements	32,329	13,714	-	18,615	-	-	-
Commercial paper	17,888	13,517	4,371	-	-	-	-
Derivative financial instruments	53,758	-	-	-	-	-	53,758
Customer accounts and other deposits	782,379	495,965	127,655	14,819	143,790	150	-
Other liabilities	52,473	-	-	-	-	-	52,473
Term borrowings	64,788	16,142	5,926	18,133	12,085	12,502	-
Subordinated notes	6,861	32	-	-	6,829	-	-
Equity	130,875	-	-	-	-	-	130,875
	1,213,247	580,019	144,334	51,644	181,107	12,652	243,491
On statement of financial position gap		75,896	(9,819)	58,788	(133,407)	54,862	(46,320)
Off statement of financial position gap		(29,856)	39,320	8,630	22,584	(40,678)	-
Total interest rate sensitivity gap		46,040	29,501	67,418	(110,823)	14,184	(46,320)
Cumulative interest rate sensitivity		46,040	75,541	142,959	32,136	46,320	-

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(d) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed processes, people and systems or from external events.

FAB has implemented an effective operational risk management cycle to ensure robust risk oversight in line with its operational risk management policy, procedures, guidelines and governance framework. This cycle includes identification, assessment, mitigation, control, and monitoring of Operational risks. Initially, operational risks are identified and categorized by business owners through Operational Risk Matrices, aligned with the Basel Accord. This assessment evaluates associated risks across all products, services, processes, projects, product channels, systems, and the Bank's own or outsourced activities. This comprehensive approach enables proactive management and oversight of operational risks throughout the organization.

FAB operates under a 'three lines of defence' model for managing risk, forming the cornerstone of its risk management framework.

First Line of Defence: Business units and support functions own and manage risks within their day-to-day operations. By addressing risks at the source, they ensure controls are effective at the operational level and remain within the Bank's risk appetite.

Second Line of Defence: Risk management, compliance, and oversight functions provide governance, frameworks, advisory support, and an independent layer of monitoring. Their role is to ensure risks are managed in line with the Bank's risk appetite and regulatory requirements.

Third Line of Defence: The independent internal audit function offers assurance to the Board of Directors and senior management on the effectiveness of the Bank's risk management, control, and governance processes.

By adopting the three lines of defence model, FAB ensures a robust and well governed risk management structure, providing clear accountability and transparency in managing the full spectrum of risks across the organization. This framework supports regulatory compliance and promotes a culture of risk awareness and ownership at all levels.

The Group has an established Operational Risk framework consisting of policies and procedures covering risk identification, assessment, treatment, monitoring and reporting. The Operational Risk framework also provides an interrelation with other risk categories. The Operational Risk Incident Management Framework is designed to ensure that all operational risk incidents including near misses are identified, reported, analysed, and remediated in a timely and structured manner. The framework ensures consistent treatment of incidents across all business units while promoting a proactive risk management culture.

The Board of Directors holds ultimate responsibility for FAB's risk management framework, ensuring the Bank operates within its approved risk appetite. To support this mandate, the Board delegates specific oversight responsibilities to the Board Risk & ESG Committee (BRESGC) and other specialized committees within the governance structure.

The Group Operational and Fraud Risk Committee (GOFRC) is tasked with overseeing operational and fraud risks across the FAB Group. This committee ensures these risks are effectively managed and controlled throughout the Bank.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(e) Capital management

CBUAE regulations govern regulatory capital requirements for the Group; in addition, the overseas branches and subsidiaries may be directly supervised by their local regulators. The capital management process for the Group is linked to the overall business strategy to ensure that capital is adequate to the level of inherent risk in the business and within the firm's capital risk appetite. The Group conducts capital planning in conjunction with the financial budgeting exercise.

The Board and top management define the long-term strategic direction for the Group. This provides the framework for the development of a bottom-up plan based on the projections from individual business units. The bottom-up plan is an input to the annual budgeting process and is conducted at a business unit and country level. These are consolidated for each business division and finally, for the entire Group. Business units, within each division, develop forecasts on the balance sheet and income statements for the next year, by considering the following key parameters:

- the short-term (one year) goals
- risk appetite and strategy
- target growth rates
- target returns

The Group's capital management policies aim to ensure that it has sufficient capital to cover the risks associated with its activities and the allocation of capital across the Group. The assessment of the various risks across the Group and their likely impact is carried out in conjunction with the ICAAP undertaken annually. As part of the ICAAP process, Group Risk function identifies the various risks the Group is exposed to as part of its day-to-day operations. Next, the Group assesses these risks against the existing policies and procedures, frameworks and methodologies, contingency plans and other processes to measure, manage and mitigate the impact of such risks. Finally, the Group determines the capital requirements for material risk exposures.

The key objectives of the Group's capital management process are:

- Maintain sufficient capital to meet minimum capital requirement set by the CBUAE.
- Maintain sufficient capital to support Group's Risk Appetite and strategic objectives as per long-term strategic plan.
- Maintain adequate capital to withstand stress scenarios including increased capital requirements determined through ICAAP.
- To support the Group's credit rating.

The Group conducts regular stress test exercises to assess the resilience of the Group to adverse market developments under stress scenarios. The risk factors are shocked using the assumptions made under the respective scenarios and the corresponding impact on the capital adequacy is determined. The Group uses various macroeconomic and idiosyncratic stress tests in order to project capital needs and capital levels under various stress scenarios. Stress testing is perceived as an important tool in internal capital planning. The stress test result during 2025 shows that the Group has adequate capital even under adverse scenarios.

As part of the gradual introduction of Basel III in the UAE, and the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were published by the UAE Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSN/2020/4980, FAB is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 15.0 per cent. Included within this UAE Central Bank prescribed minimum total capital adequacy ratio, FAB, as a domestically systemic important bank ("D-SIB"), is required, effective from May 2024 to maintain a D-SIB buffer of 2.0 per cent of Common Equity Tier 1. A capital conservation buffer of 2.5 per cent. of Common Equity Tier 1 is also included within this minimum total capital adequacy ratio of 15.0 per cent. In addition to this minimum capital adequacy ratio, a counter-cyclical buffer is applicable to FAB, which is determined on the basis of the geographical distribution of credit exposures and the counter-cyclical capital buffer applicable in such jurisdictions.

As per the CBUAE standards regarding the capital definition, the expected / proposed dividends are to be deducted from CET1. Consequently, the Capital Adequacy ratio as computed below takes into account the impact of proposed dividend.

Notes to the consolidated financial statements

For the year ended 31 December 2025

47 Financial risk management (continued)

(e) Capital management (continued)

	31 Dec 2025 AED million	31 Dec 2024 AED million
Tier 1 capital		
Ordinary share capital	11,048	11,048
Share premium	53,583	53,583
Retained earnings	54,198	46,171
Statutory and special reserve	13,084	13,084
General reserve and share option scheme	527	527
Fair value reserve	154	(2,299)
Non-controlling Interests	187	123
Foreign currency translation reserve	(4,563)	(4,844)
Less: Proposed dividend ¹	(8,838)	(8,286)
Eligible Tier 1 capital (a)	119,380	109,107
Deductions:		
Deferred tax assets	(161)	(423)
Goodwill and Intangible assets	(20,321)	(20,996)
Other deductions	(1,189)	(166)
Total deductions	(21,671)	(21,585)
	97,709	87,522
Additional Tier 1		
Tier 1 capital notes	14,428	10,755
	112,137	98,277
Tier 2 capital		
Qualifying subordinated liabilities	6,589	6,510
Allowance for collective impairment	5,640	6,966
	12,229	13,476
Total regulatory capital base	124,366	111,753
Risk weighted assets:		
Credit risk	640,174	557,331
Market risk	37,878	35,614
Operational risk	57,352	46,629
Risk weighted assets	735,404	639,574
Ratios with transition impact:		
CET 1 ratio	13.3%	13.7%
Tier 1 capital ratio	15.2%	15.4%
Capital adequacy ratio	16.9%	17.5%

The Group and its overseas branches and subsidiaries have complied with all externally imposed capital requirements for all periods presented.

¹The 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.

47 Financial risk management (continued)

(f) Country risk

Country risk is the likelihood of economic, social and political events in a foreign country negatively influencing the willingness or ability of state owned and/or privately owned customers in that country to pay their debts on time.

The Group undertakes a detailed qualitative analysis pertaining to country risk as a part of the business decision process. These factors include economic, stress testing of concentrated portfolios; various limits by country; country risk management committee, social and political stability in each country, the monetary policy, the foreign exchange control measure, the transparency of information, the financial and market structure, banking regulations and supervision, the legal system and the accounting standards among others. Country risks are monitored and controlled using country limits set by the Group; these limits are in accordance with overall business strategy, capital adequacy and provisions for potential risks, risk rating of each country, acceptable level of risk and business opportunities in each country.

(g) Strategic risk

Strategic risk refers to the risk of current or prospective impact on the Group's earnings, capital, reputation or standing arising from changes in the environment the Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes. It is a function of compatibility of Group's strategic goals, strategies developed to achieve those goals, resources deployed to meet those goals and the quality of implementation.

The Group uses several factors to identify and assess impact of strategic risk on its books, including level of integration of risk management policies and practices in the strategic planning process, aggressiveness of strategic goals and compatibility with developed business strategies, capital support for the strategic initiatives to take care of earnings volatility, effectiveness of communication and consistency of application of strategic goals, objectives, corporate culture, and behaviour throughout the Group.

Strategic risks are monitored and controlled as part of the strategic planning process wherein the Group reviews the progress on strategic initiatives vis-à-vis the plan and considers whether the progress is in line with the plan and the external business environment. The strategic plan is periodically reviewed and updated subject to an approval process which is also a part of the strategic planning process.

(h) Compliance risk

Compliance risk is defined as the risk of legal or regulatory sanction, material financial loss, or loss of reputation the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, or codes of conduct applicable to its banking activities.

Compliance risk is managed in accordance with a compliance risk management framework and within a defined risk appetite. The primary responsibility for managing compliance risk rests with the Group's first line businesses and enablement functions in accordance with the Group's three lines of defence risk and control model. The Group compliance function is a second line function and is responsible for overseeing the management of compliance risk and for the development of internal compliance risk frameworks and policies. Group compliance works in partnership with risk management and legal functions and is overseen by Group Internal Audit.

(i) Reputational risk

Reputational risk is the risk to earnings or capital arising from negative public opinion. This can be due to external or internal events.

The Group identifies and assesses reputational risk by clearly defining types of risks to be captured, establishing key sources of reputational risk it may be exposed to, based on individual circumstances, describing the risks identified in terms of the nature of risk and the potential consequences that the risks may bring to its reputation. The Group also refers to other relevant information for risk identification purposes. Such information may be sourced from media reports, stakeholder analysis reports, internal audit and compliance reports, management exception reports or other early warning indicators.

For reputational risks, apart from the regular monitoring of external and internal events that can result in possible reputational risks, the Group also has processes to track risks that may affect its reputation. These processes allow the BOD and senior management to take prompt corrective actions to address any anticipated reputational event in advance.

In order to manage reputational risks, the Group has set in place a mechanism that entails drawing up action plans to identify reputational risk events and facilitate subsequent monitoring of the progress made; for those risks that may be very difficult or too costly to eliminate entirely the mechanism requires development of contingency plans as response actions.

47 Financial risk management (continued)

(j) Environmental, Social and Governance (ESG) risk

FAB is committed to embedding sustainability within the bank's organisational structure and conducting business in a responsible way. The bank's sustainability objectives and commitments are outlined in the Group's ESG Frameworks and Policies, which include the E&S Risk Framework, Sustainable Finance Framework, ESG Policy and E&S Risk Policy. FAB Group's E&S Risk Policy (ESRP) is aligned with the Enterprise Risk Management Framework. As part of its policies, FAB commits to identify, evaluate and manage environmental, social and governance (ESG) risks and opportunities in its lending portfolio. Also, key ESG risk metrics have been integrated within the bank's Risk Appetite Framework (for example: credit concentration to counterparties in high ESG risk sectors) and are monitored and presented to the relevant ESG Committees. To address the growing attention on climate risk, a standalone Climate Risk Framework and Policy were developed in 2024 to define FAB's approach, governance structure, and methodology to effectively manage climate risks in line with regulatory guidance.

(k) Climate related risk

The Bank and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in customer demands and supply chains. Despite the progress, the Bank acknowledges the need for further efforts to fully integrate climate in the Bank's risk assessments and management protocols.

48 Subsequent events

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